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September 1988

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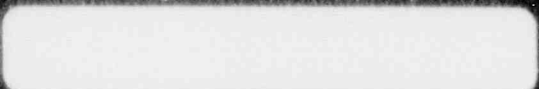
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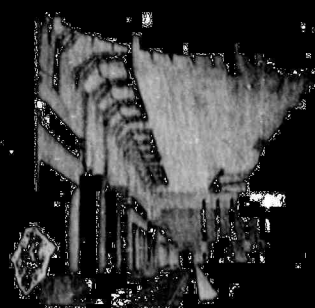
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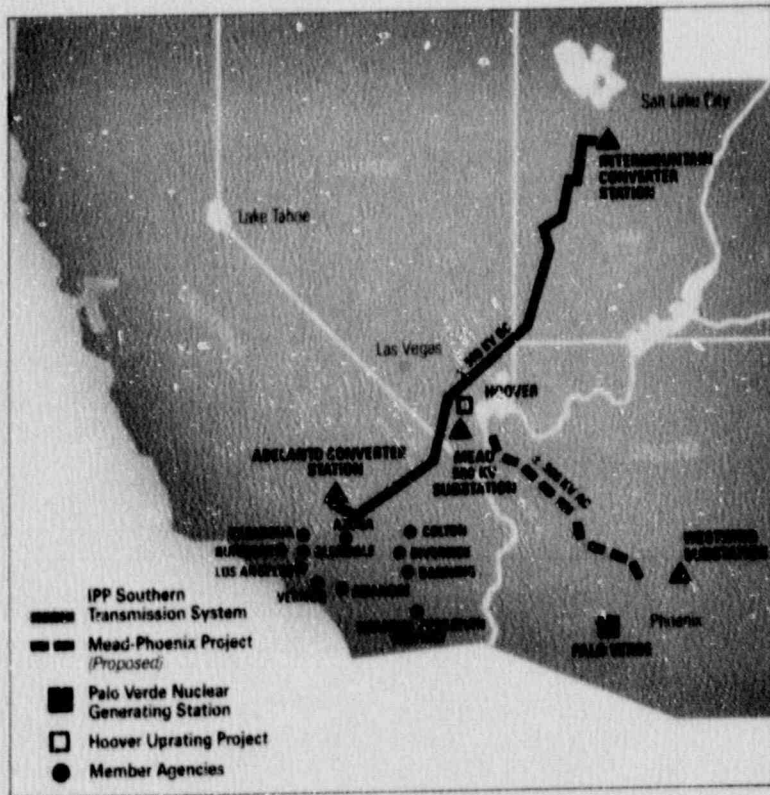
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S C P P A

Southern California public power utilities have a proud tradition of providing quality electric service to their customers. As part of this continuing tradition, the Imperial Irrigation District and the municipalities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon have joined together to comprise the Southern California Public Power Authority (SCPPA) as a vehicle for financing generation and transmission projects. Formed in 1980, SCPPA has gained a high level of acceptance in the financial community and has issued approximately \$5.5 billion in bonds and notes, including refunding issues.

The public power members of SCPPA together serve more than 1.7 million customers and have a combined non-coincidental peak requirement of 7,183 megawatts. While there is much diversity among member utilities in terms of size, load growth patterns, and customer mix, SCPPA has proven to be effective in financing projects which economically meet power requirements of all members.

OFFICERS



Executive Director
Arthur T. Devine

Former Assistant City
Attorney - City of Los Angeles
Electrical Engineer - Los
Angeles Department of
Water and Power



President
Gale A. Drews

Electrical Utility
Director
City of Colton



Vice President
W.E. Cameron

Director of Public
Service
Glendale Public Service
Department



Secretary
John A. Coit

Assistant General Manager -
Power
Los Angeles Department of
Water and Power



Assistant Secretary
George R. Spencer

Civil Engineer for Power
Contracts
Los Angeles Department of
Water and Power

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S C P P A

MESSAGE FROM THE PRESIDENT AND EXECUTIVE DIRECTOR

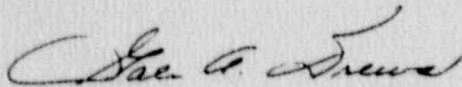
The Southern California Public Power Authority continued to play an instrumental role in the efforts of Southern California public power utilities to provide high quality service to utility customers in 1988-1989.

In addition to substantial progress on the Mead-Phoenix Project during the year, planning was accomplished on the Mead-Adelanto, the Palo Verde-Devers Transmission Line and the Utah-Nevada Transmission Projects.

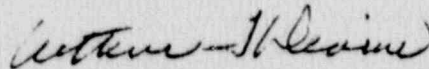
Membership in SCPPA is one of several ways in which participating public power utilities are looking to the future to maintain a standard of excellence in serving their customers. Our member utilities have taken the lead to serve customers in more ways than only supplying power. This report describes the characteristics of individual member cities and many of the service achievements of SCPPA members.

Public power utilities are non-profit and customer owned. Therefore, the benefits derived from SCPPA and other service achievements cannot be divided into utility benefits and utility customer benefits. These benefits are one and the same since our customers are the utility.

We want to thank the staff and the Board of Directors for their hard work, dedication and professionalism in making SCPPA one of the premier financing organizations in the United States.



Gale A. Drews,
President



Arthur T. Devine,
Executive Director

MEMBER CITIES

From the power base of the Pacific Rim, Los Angeles, to the industrial town of Vernon, with only 30 residential customers, SCPPA member cities provide power to an end-user population of more than 3.5 million.

SCPPA member cities use a wide variety of power sources to provide their customers with reliable service and the lowest cost energy possible. Through their association with the SCPPA and through their own efforts, the member cities are able to include as sources for their power: the Intermountain Generating Station, entitlements in the Hoover Power Plant, Palo Verde Nuclear Generating Station, purchases from the Bonneville Power Administration, the San Onofre Nuclear Generating Station Units 2 and 3, Western Systems Power Pool, oil- and gas-fired generation in the Los Angeles Basin, and purchases from other western utilities.

Together, SCPPA member cities had total 1989 energy sales of over 30 million megawatt-hours.

Anaheim — As one of the fastest growing population centers in the United States, the community of Anaheim continues to look forward in helping meet the energy needs of this unique community. Known the world over as the home of Disneyland and other popular tourist attractions, Anaheim is also home to over 96,000 other customers— from the California Angels baseball team to the average homeowner.

One way the Public Utilities Department better serves all its customers, large and small, is by sending a copy of its newsletter called "Currents" as a billing insert. This publication informs customers of the energy conservation programs available in their city and how to take advantage of them. One of the

most successful of these efforts is the "off-peak" program which encourages customers to use their air conditioners, pool and spa motors, and other appliances during off-peak times. Customers are rewarded for participating in such energy conservation programs by a rebate, which appears as a credit on their bills.

Anaheim also provides discounted "lifeline" rates for senior citizens, the handicapped, and those on life-support systems.

Partly through Anaheim's association with SCPPA, its energy rates are 23% lower than rates in nearby communities, and the Public Utilities Department is continuing to seek the lowest cost energy supplies for the future. To this end, the Anaheim Public Utilities Department has been working on many projects with SCPPA member cities, including a joint transmission line that would bring in more power from the states of Nevada and Utah. Anaheim is also financing and constructing a new combustion-turbine generator that is scheduled to start operating in 1991.

Anaheim is dedicated to providing the perfect mix of low-cost power and community services.

Azusa — "Everything from A to Z in the USA" is Azusa's city slogan, and the Utilities Department is taking that slogan to heart -- both in long-term power goals and in the services offered to its residential and industrial customers.

By participating in joint transmission line projects with fellow SCPPA members and by looking for other long-term power purchase contracts, Azusa is determined to have as many options possible to supply energy and power to its citizens.

New sources of power are just one way to improve service to customers,



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

Mr. Hoyt is a native Californian, originally from Santa Monica. He earned his B.S. at the University of Texas and is a registered professional engineer in the state of California. Mr. Hoyt started his career in public utilities in 1947, spending 13 years with Pacific Gas & Electric, before going to work for Anaheim in 1964. He has held his current position for 25 years.



Joseph F. Hsu
Utility Director
City of Azusa
Azusa, California

A native of China, Mr. Hsu received his B.S. in electrical engineering from the University of Nebraska and is a registered professional engineer in the state of Nebraska and California. He moved to California in 1983 and has been the Director of Utilities in Azusa ever since.

conservation is another. The Azusa Utilities Department has instituted a streetlight conservation plan— changing all the old mercury vapor streetlights in- to power-saving sodium vapor models. In this dry inland area, the deep-water well pumps also work hard; and Azusa is making sure these are all reconditioned to work at maximum efficiency.

For those customers interested in learning more on conservation, the Utilities Department provides free education materials including brochures and slide shows. Special discounted rates are offered to "total electric" homes. As with other SCPPA member cities, Azusa's main long-term energy goal is to negotiate contracts for new energy projects and continue to acquire the best options to provide energy service to its citizens.

Banning— As the gateway to California's Colorado Desert, Banning is a fast-growing community with fast-growing energy needs. To meet the power requirements, Banning's Public Utilities Department has instituted a number of building and conservation programs to serve its customers.

These programs include a new pumped-storage project, joint projects with fellow SCPPA member cities, and a transition to generating during off-peak hours to displace the high cost of peak-time generation.

Conservation is important in desert towns, and Banning is no exception. To meet its energy conservation objectives, the City of Banning has converted the city streetlights from the old mercury vapor models to power-saving sodium vapor models. They have also been upgrading the voltage level of their distribution system, which will conserve energy.

Banning's location in the high desert means a huge variance in temperatures,

not only from summer to winter but day to night. Banning's temperature can slide from a high of 120 to a low near freezing in one 24-hour period. To help customers cope with these extremes, the utility provides special lifeline rates, at a base of 250 kilowatts in winter to 500 in summer for the entire community.

Another large community undertaking is Banning's new hydro project which was completed in August 1989. This project utilizes water from natural flows to provide power to the city.

A new development in the community will provide 4,500 new homes in Banning— new homes and customers that will require the full services of an efficient power company. Luckily for Banning residents, their public utility has its eyes toward the future and plans to continue the tradition of providing low-cost energy and high-quality community services.

Burbank — When customers of the Burbank Public Service Department call the power company to ask that a representative visit their home, it is not because something has gone wrong. They are just using one of the new "energy audit" services provided free of charge. A utility representative will survey the residence or place of business and provide tips on how to use energy more efficiently — aiding in conservation and saving the customer money.

Burbank is a city of 91,000 residents and is home to many a major movie and television studios and aerospace firms. All of these customers keep Burbank's power commands high, and the Public Service Department is moving its programs into the future to make sure the energy needs of the community are met.

A new system to monitor system conditions and do remote switching, startup, and shutdown is in place, providing improved reliability and the ability to address outages more promptly.



Timothy Dempsey
Public Utilities Director
City of Banning
Banning, California

Mr. Dempsey began his career in utilities as a lineman in New York in 1961. After earning his B.S. in industrial safety from San Diego State, he then went on to law school at Western State University in San Diego. Mr. Dempsey managed an energy co-op in Washington state before joining the Banning utilities as Director in 1987.



Ronald V. Stassi
General Manager
Burbank Public Service
Department
Burbank, California

A native Californian, Mr. Stassi received his B.S. in electrical engineering from San Jose State University. He added to his education by attending the University of Southern California, earning both an M.S. in electrical engineering and an MBA. Mr. Stassi worked as a principal electrical engineer for the city of Burbank before assuming his current position in 1988.

¿Cuál es la diferencia entre un globo y un mapa?

¿Que es una península?

¿Que es una isla?

Many SCPPA member agencies conduct programs to educate students about electricity, including its conservation and safe use.



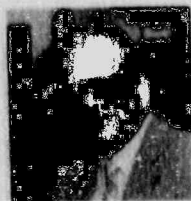
¿Que es una parranda?
¿Que es una vela?

Many SCPPA member agencies conduct programs to educate students about electricity, including its conservation and safe use.



In addition to providing "lifeline" rates for low-income seniors and the handicapped, the Burbank Public Service Department co-sponsors fund raisers in association with the International Brotherhood of Electrical Workers that benefit the burn ward in a local hospital.

In response to the growing concern over air pollution in the Los Angeles Basin, Burbank uses several transmission lines to bring in off-system energy from outside sources. By reducing the total generation in the Los Angeles Basin, the residents benefit both economically and in terms of improved air quality.



Cole A. Drews
Electrical Utility Director
City of Colton
Colton, California

Born in Kansas, Mr. Drews was raised on a farm and educated in his home state prior to beginning employment with the Utilities Department of Colton 30 years ago. As electric utility director for the past 13 years, he has led Colton's development of its own resources to meet its customers' needs.

Colton — Located 55 miles east of Los Angeles, Colton is a rapidly growing community of over 37,000 residents. Colton has been known as the "Hub City" for more than a century, as it was located on the main line of three major railroads. It is also the meeting point for three major interstate highways.

Colton has experienced a recent population boom as has much of San Bernardino County. Its energy requirements have matched this growth which has made resource procurement and energy efficiency major factors in the Utility's planning efforts.

The Utility reached a new peak power requirement of 47.2 megawatts during the year, while sales totaled over 179,000 megawatt-hours for the same period. New power contracts from the California Department of Water Resources, City of Pasadena and Pacific Gas and Electric further reduces dependence on purchases from Southern California Edison. Other resources include Palo Verde Nuclear Generation Station, Hoover Power Plant and economy energy purchases.

The Utility initiated several new energy programs for customers during the year, including load management,

weatherization, residential energy audit and a community-wide information program as well as a California Energy Commission efficiency program to reduce energy costs in municipal operations. By focusing on energy efficiency in new municipal construction projects as well as for existing customers, Colton is committed to using energy resources in a prudent and efficient manner.

Glendale — With Glendale's central business district undergoing a comprehensive redevelopment effort, the Glendale Public Service Department is standing ready to serve the existing and new customers' energy needs.

The large growth in apartment house, condominiums, and commercial building market has added over 10,000 new customers in the last five years. To meet the added energy needs, Glendale is also working jointly with SCPPA members in a comprehensive study of transmission line projects to bring in low-cost power from Utah, Arizona and Nevada.

Glendale is replacing its older overhead distribution facility with a more modern underground system, improving the community's appearance in the process.

Many of the employees of the Glendale Public Service Department are active in civic projects, bringing the Public Service Department's pledge to provide the most reliable service at a "reasonable cost" to the heart of the community.

Los Angeles — A leader in both conservation and consumer-oriented projects, the Los Angeles Department of Water and Power (DWP) is a model for many utilities across the country.

The community involvement of the DWP is wide-ranging and touches all layers of the customer base. Los Angeles was first to institute a Senior Citizen Lifeline Program, which provides low-cost energy to seniors and the handicapped. It has an



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

Mr. Cameron is celebrating his 40th year of government service. He received his B.S. from Washington State University before continuing to University of Southern California for his M.A. in public administration. Mr. Cameron has been with the Glendale Public Service Department since 1971.



Eldon A. Cotton
*Assistant General Manager
 Power
 Los Angeles Department of
 Water and Power
 City of Los Angeles
 Los Angeles, California*

Originally from Cordell, Oklahoma, Mr. Cotton earned his B.S. in civil engineering from San Jose State University. He later attended University of Southern California, earning his certificate in public administration and M.S. in civil engineering. Mr. Cotton began his career with the Los Angeles Department of Water and Power in 1965 and was named Assistant General Manager Power in November 1988.

innovative program that educates schools on energy conservation; if the school is able to save 10% off its regular bill, the school district rebates 5% of the money saved to the school. A \$5,000 scholarship with the stated goal of encouraging women and minorities to pursue engineering is given to 13 area universities each year. DWP's community outreach program provides a liaison to between 50 and 100 community groups such as the NAACP and Southern California Businessman's Association to help these groups solve their water and power issues.

Because of the importance of the area's air quality, DWP consumer conservation programs receive great emphasis. DWP issued over \$4 million in energy-incentive programs this year alone. These incentives were offered in its thermal storage program, high-efficiency heat pump program, and lighting-efficiency improvement program. In addition to the incentive programs, DWP provides energy audits free of charge to customers, surveying their homes and businesses, and suggesting ways for them to reduce energy use.

DWP is working with many of the SCPA member cities on transmission line projects -- bringing in power from outside sources without increasing the pollutants in the basin. It is planning on repowering existing Harbor Generating units with combined cycle units to increase efficiency and reduce air pollution. Within the next three years, DWP plans to begin its COSO Geothermal Project, using steam from the earth to generate electricity -- another pollution free energy source.

Pasadena — The Pasadena Water and Power Department has gone "lite" — introducing its "Lite-Bill Program" to customers. Having received permission from the Miller Brewing Company to use

their trademarked phrase, the Department will start its door-to-door energy- and water-use surveys in November 1989. Utility service personnel will visit area homes and conduct comprehensive energy- and water-use surveys. Later the customer is provided with a computer printout with suggested modifications and improvements that can result in a "Lite Bill".

The Pasadena Water and Power Department also gives an annual scholarship to a local high school student, up to \$4,000 per year for four years. Financially disadvantaged students have been able to pursue engineering studies at UCLA, California Polytechnic Institute, and Howard University in Washington, D.C., thanks to this scholarship.

Pasadena had been a growing community for over a century, as evidenced by the city's celebration of the 100th anniversary of the Tournament of Roses in January 1989. However, a commercial growth-control initiative was recently passed, which may impact the growth of energy use as well. Even with the rate of future growth limited, the Pasadena Water and Power Department has been concentrating on the upgrading of systems and plans for increased energy efficiency to better its available resources.

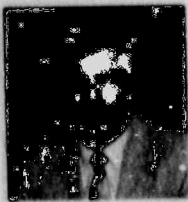
This year Pasadena Water and Power Department conducted a feasibility study for the life extension of the Broadway Power Plant, a three-unit facility that supplies about 40% of Pasadena's power. Repowering these units will help Pasadena keep pace with the growing demand of its customers.

Riverside — Riverside recently implemented an innovative assistance program, the "SHARE Program". When customers receive their bill, they can check off a box and round it up by a dollar or two. This program provides money to elderly and low-income customers who cannot afford to pay the utility deposit. The utility pays



David C. Plumb
*General Manager
 Pasadena Water and Power
 Department
 Pasadena, California*

After receiving his B.S. in engineering from Arizona State University, Mr. Plumb began his work in public utilities in 1970 in Phoenix, Arizona. Subsequently, he received his MBA from ASU in 1978. He worked briefly for a consultant and managed a utility in Longmont, Colorado, before coming to Pasadena in 1987.



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

After earning his B.S. in electrical engineering from Colorado State University, Mr. Carnahan pursued a career in public utilities before becoming the utilities manager in Fort Collins, Colorado. He joined Riverside Public Utilities as Director in 1986.

the administrative program, and the rest is a sweeping-customer program.

In the hot climate of Riverside, a Thermal Energy Storage Program encourages customers to install air-conditioning systems that are more efficient and shifts energy use to off-peak hours. This program also educates commercial customers about the benefits of running large equipment during the off-peak hours.

The Riverside Public Utilities Department is meeting its goal of reliable service at a low cost. In a recent survey, customers rated the Department high in all service categories. This was accomplished without raising electric rates since 1984; in fact, beginning July 1, 1989, customers received a 7% reduction in their bills.

Vernon — The city of Vernon was founded in 1905, a 5.06-square mile area planned from its inception as an industrial city. In fact, the Vernon Light and Power Department has over 2,000 commercial customers but only 30 residential customers!

Since the Department's biggest effort is keeping rates as low as possible, it is participating with fellow SCPPA member cities on transmission projects that will bring low-cost power to the participating cities. Vernon recently hired an energy conservation specialist who works with customers, inspects their plants, and makes energy-saving recommendations — free of charge.

The Department recently installed a Supervisory Control and Data Acquisition System, which enables more efficient system monitoring from one central location.

Imperial Irrigation District — The Coachella Power Division of the Imperial Irrigation District is on a rapid march

toward the future, not only in its major building projects, but also in its plans for customer service as well.

With several building projects, the Imperial Irrigation District is busy indeed. Among the projects are a new \$5 million substation, an 11-1/4-mile extension of existing transmission lines, upgrading an existing substation, upgrading the El Centro Switching Station, and upgrading the distribution system to provide power for a new fashion mall in Indio. With all this activity, it is easy to see why Imperial is also building a new operations center headquarters for the utility in the Coachella area.

There is also plenty of activity when it comes to its customer services. Free-of-charge energy surveys are done for customers upon request. After an in-home survey, the utility provides a computer printout showing ways to cut costs in that particular home, including weather-stripping, use of different appliances, water heater blankets, etc. Another service provides customers who install energy-saving air conditioners with rebates on their bill.

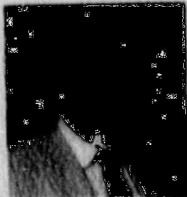
One particularly far-reaching program is the utility's energy use survey — every two years, 5% of all customers are surveyed for information on home construction, appliances, and energy use so that the utility can enhance the precision of service needs in the future. By really pinpointing potential problem areas now, the utility is effectively planning how to reduce the area's load in cost-effective ways.

The Coachella Power Division's commitment to its community shows up in its nationally-recognized electrical safety program, currently being demonstrated to police and fire departments, service clubs, schools, and churches.



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

A native of Findlay, Ohio, Mr. Noller earned his B.S. in electrical engineering from Ohio Northern University. He is a licensed electrical engineer in the state of California and joined the Coachella/Imperial District in 1985.




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

Mr. Malkenhorst is a native of the Los Angeles area and received his B.A. from Woodbury University in Burbank. He has been the Director of Light and Power for the last eight years and is also the city administrator. Mr. Malkenhorst is pleased to be in a position where he can assist in controlling energy costs for his constituents.



Free energy audits for residential customers as well as those in the commercial and industrial sectors are provided by several SCPPA members.



Free energy audits for residential customers as well as those in the commercial and industrial sectors are provided by several SCPPA members.

AUTHORITY OPERATIONS

Palo Verde Nuclear Generating

Station — SCPPA has a 5.91-percent interest in the Palo Verde Nuclear Generating Station and receives up to 216 megawatts (based on the licensed reactor thermal power level per unit of 1,221 megawatts).

With three units on line, this station, which is located about 50 miles west of Phoenix, Arizona, has a current capacity of approximately 3,810 megawatts. A net annual output of more than 23 million megawatt-hours is projected from Palo Verde by the early 1990's.

Ten member agencies have contracted with SCPPA for entitlement in Palo Verde. The station's output will be used to meet increases in demand, to replace purchased power, and to displace oil- and gas-fired generation in the Los Angeles Basin.

Additional savings for participating members were created when SCPPA took advantage of lower interest rates by issuing approximately \$1.5 billion in refunding bonds. Over the life of the project, this will result in a gross debt savings of about \$286 million.

The Palo Verde Nuclear Generating Station is managed by Arizona Public Service Company, with the switchyard portion operated by the Salt River Project.

Southern Transmission System — Six SCPPA members receive power via the Southern Transmission System. While the distribution to members is local, the source of the power is 488 miles away at the Intermountain Generating Station (IGS) in Utah. It is comprised of two coal-fueled generating units with a combined capacity of 1,600 megawatts of alternating current. An adjacent converter station changes the electricity to direct current. The ± 500 -kilovolt Southern Transmission System carries the direct current over the desert and mountains to the Adelanto

Converter Station where the direct current is changed back to alternating current.

Members receiving power over the system will use it to meet load growth, reduce purchases from Edison, and to displace Los Angeles based oil- and gas-fired generation.

SCPPA's four refunding sales totaling approximately \$1.3 billion will produce a gross debt savings over the life of the project of approximately \$745 million.

Los Angeles manages and operates the project which is owned by the Intermountain Power Agency, a political subdivision of the State of Utah. A total of 36 utilities in Utah, California, and Nevada have power entitlements in the IGS.

Hoover Upgrading Project — The Hoover Power Plant is now over 50 years old. The U.S. Bureau of Reclamation took over operation of the plant in 1986 and is in the process of upgrading Hoover's 17 original generators.

Six SCPPA members have contracted with the Authority to furnish their share of the upgrading costs and to help with the upgrading. SCPPA has issued approximately \$34.4 million in bonds to finance these costs.

The project is scheduled for completion in 1992 and will increase Hoover's capacity from 1,450 megawatts to 1,903 megawatts. Upgraded units are returned to service immediately and participating members have begun receiving energy and capacity entitlements. As more units are completed, a full entitlement of 94 megawatts is expected in 1992 for those members participating through SCPPA.

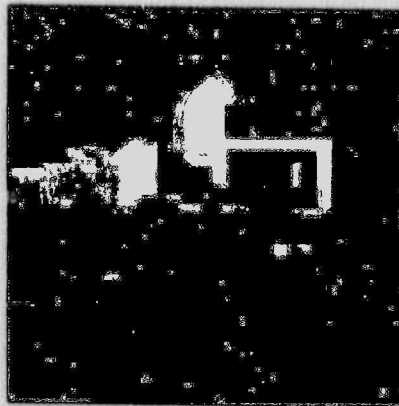
The increase is made possible by installation of modern stator windings and turbine impellers and the upgrading

of various auxiliary equipment. Replacement of existing transformer banks will increase plant efficiency. Additional plant improvements include consolidation of control rooms and modernization to provide for automatic and remote control.

Mead-Phoenix Transmission Project —

The feasibility of constructing, owning, and operating a 500-kilovolt alternating-current transmission line between Boulder City, Nevada, and the Phoenix, Arizona area is being studied by SCPPA and other agencies.

In addition to SCPPA, Salt River Project, M-S-R Public Power Agency, and Western Area Power Administration are participating in the study project. The 240-mile transmission line could be converted to a direct-current system at a future date. It is estimated that this facility, if built, would be in service in the mid-1990s.



Ten SCPPA members benefit from power produced at the Palo Verde Nuclear Generating Station.



Upgrading of the units at Hoover Power Plant will result in additional capacity entitlements to six SCPPA members.



Adelanto Converter Station is the western terminus of the Southern Transmission System.

REPORT OF INDEPENDENT ACCOUNTANTS

August 25, 1989

**To the Board of Directors of
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, 1989 and 1988, 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 audits 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 Upgrading Project and Mead-Phoenix Project, and the separate statements of operations of the Palo Verde Project, Southern Transmission System Project and Hoover Upgrading Project present fairly, in all material respects, the financial position of each of the Projects at June 30, 1989, and their cash flows and the results of operations of the Palo Verde Project, Southern Transmission System Project and Hoover Upgrading Project for the year, 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information, as listed in the accompanying index, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

Eric Waterhouse

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

June 30, 1989

	<i>Palo Verde Project</i>	<i>Southern Transmission System Project</i>	<i>Hoover Upgrading Project</i>	<i>Mead-Phoenix Project</i>	<i>Total</i>	<i>June 30, 1988 Total</i>
ASSETS						
Utility plant						
Production	\$ 600,778				\$ 600,778	\$ 600,458
Transmission	6,008	\$ 661,255			667,263	662,761
General	186	18,857			19,043	18,805
	606,972	680,112			1,287,084	1,282,024
Less — Accumulated depreciation	56,180	57,272			113,452	72,288
	550,792	622,840			1,173,632	1,209,736
Construction work in progress	3,569	4,287		\$12,999	20,855	15,540
Nuclear fuel, at amortized cost	26,428				26,428	31,330
Net utility plant	580,789	627,127		12,999	1,220,915	1,256,606
Special funds						
Investments	10,678	95,927	\$18,747	1,089	226,441	260,146
Advance to Intermountain Power Agency		20,161			20,161	20,161
Advances for capacity and energy, net			10,218		10,218	6,009
Interest receivable	1,630	1,174	292		3,096	3,323
Cash and cash equivalents	107,672	63,295	5,640	65	176,672	141,737
	219,980	180,557	34,897	1,154	436,588	431,376
Accounts receivable	3,635	547			4,182	836
Materials and supplies	6,859				6,859	6,528
Costs recoverable from future billings to participants	58,587	80,807	(1,004)		138,390	114,648
Deferred costs						
Unamortized debt expenses, less accumulated amortization of \$46,363 and \$36,164 in 1989 and 1988	228,150	174,258	1,107		403,515	373,600
Other deferred costs	864				864	1,309
	229,014	174,258	1,107		404,379	374,909
	\$1,098,864	\$1,063,296	\$35,000	\$14,153	\$2,211,313	\$2,184,903
LIABILITIES						
Long-term debt	\$1,043,540	\$1,014,443	\$34,296	\$ 100	\$2,092,379	\$2,061,937
Current liabilities						
Long-term debt due within one year	14,370	5,825			20,195	29,403
Accrued interest	36,219	37,259	689	1	74,168	77,224
Accounts payable and accrued expenses	4,735	5,769	15	4	10,523	16,339
	55,324	48,853	704	5	104,886	122,966
Advances from participants				14,048	14,048	
Commitments and contingencies						
	\$1,098,864	\$1,063,296	\$35,000	\$14,153	\$2,211,313	\$2,184,903

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, 1989			Total	Year ended June 30, 1988
	Palo Verde Project	Southern Transmission System Project	Hoover Upgrading Project		
Operating revenues					
Sales of electric energy	\$110,164		\$2,760	\$112,924	\$ 88,358
Sales of transmission services		\$94,769		94,769	82,332
Total operating revenues	<u>110,164</u>	<u>94,769</u>	<u>2,760</u>	<u>207,693</u>	<u>170,690</u>
Operating expenses					
Nuclear fuel expenses	10,628			10,628	9,042
Other operation	19,635	8,137	1,127	28,899	23,194
Maintenance	5,518	3,205		8,723	9,547
Depreciation	17,427	19,207		36,634	33,564
Decommissioning	5,699			5,699	4,652
Expense charged to project during construction					(520)
Total operating expenses	<u>58,907</u>	<u>30,549</u>	<u>1,127</u>	<u>90,583</u>	<u>79,479</u>
Operating income	51,257	64,220	1,633	117,110	91,211
Investment income	18,239	10,784	2,033	31,056	35,060
Income before debt expenses	<u>69,496</u>	<u>75,004</u>	<u>3,666</u>	<u>148,166</u>	<u>126,271</u>
Debt expenses					
Interest on debt	85,116	84,035	2,757	171,908	173,308
Allowance for borrowed funds used during construction ..					(16,699)
Total debt expenses	<u>85,116</u>	<u>84,035</u>	<u>2,757</u>	<u>171,908</u>	<u>156,609</u>
Costs recoverable from future billings to participants	<u>\$ (15,620)</u>	<u>\$ (9,031)</u>	<u>\$ 909</u>	<u>\$ (23,742)</u>	<u>\$ (30,338)</u>

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

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

	Year ended June 30, 1989				Total	Year ended June 30, 1988 Total
	Palo Verde Project	Southern Transmission System Project	Hoover Upgrading Project	Mead-Phoenix Project		
Cash flows from operating activities:						
Costs recoverable from future billings to participants	\$ (15,620)	\$ (9,031)	\$ 909		\$ (23,742)	\$ (30,338)
Adjustments to arrive at net cash provided by operating activities:						
Depreciation	26,955	19,207			46,162	41,119
Decommissioning	5,699				5,699	4,652
Amortization of debt costs	12,017	9,125	54		21,196	17,692
Changes in current assets and liabilities:						
Interest receivable	574	(319)	(28)		227	1,900
Accounts receivable	(2,799)	(547)			(3,346)	4,751
Materials and supplies	(331)				(331)	(6,528)
Other assets	15				15	(198)
Accrued interest	(1,354)	(1,352)			(2,706)	119
Accounts payable and accrued expenses	(7,582)	1,767	7		(5,808)	(1,994)
Net cash provided by operating activities	<u>17,574</u>	<u>18,850</u>	<u>942</u>		<u>37,366</u>	<u>31,175</u>
Cash flows from investing activities:						
Payments for construction of facility	(7,781)	(7,990)			(15,771)	(39,197)
Advances for capacity of energy, net			(4,209)		(4,209)	(2,945)
Payments for feasibility study				\$ (703)	(703)	(1,061)
Purchases of investments	(101,134)	(61,515)	(10,248)	(4,818)	(177,715)	(285,881)
Proceeds from sale of investments	130,015	63,748	12,085	5,572	211,420	311,526
Refund from Intermountain Power Agency						820
Net cash provided by (used for) investing activities	<u>21,100</u>	<u>(5,757)</u>	<u>(2,372)</u>	<u>51</u>	<u>13,022</u>	<u>(16,738)</u>
Cash flows from financing activities:						
Proceeds from sale of refunding bonds	185,200	156,050			341,250	
Payment for bond issue costs	(4,325)	(2,457)			(6,782)	
Payment for defeasance of revenue bonds	(180,827)	(153,739)			(334,566)	
Payment for principal of long-term debt	(13,095)	(2,260)		(14,048)	(29,403)	
Proceeds from advances from participants				14,048	14,048	
Net cash used for financing activities	<u>(13,047)</u>	<u>(2,406)</u>		<u>—</u>	<u>(15,453)</u>	
Net increase (decrease) in cash and cash equivalents	25,627	10,687	(1,430)	51	34,935	14,437
Cash and cash equivalents at beginning of year	82,045	52,608	7,070	14	141,737	127,300
Cash and cash equivalents at end of year	<u>\$ 107,672</u>	<u>\$ 63,295</u>	<u>\$ 5,640</u>	<u>\$ 65</u>	<u>\$ 176,672</u>	<u>\$ 141,737</u>
Supplemental disclosure of cash flow information:						
Cash paid during the year for interest (net of amount capitalized)	<u>\$ 73,871</u>	<u>\$ 72,906</u>	<u>\$ 2,757</u>	<u>\$ —</u>	<u>\$ 149,534</u>	<u>\$ 138,306</u>

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

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE A — 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 four projects:

Participant	Palo Verde	Southern Transmission System	Hoover Uprating	Mead-Phoenix
City of Los Angeles	67.0%	59.5%		61.2%
City of Anaheim		17.6	42.6%	15.0
City of Riverside	5.4	10.2	31.9	6.0
Imperial Irrigation District	6.5			
City of Vernon	4.9			3.0
City of Azusa	1.0		4.2	.6
City of Banning	1.0		2.1	.6
City of Colton	1.0		3.2	.6
City of Burbank	4.4	4.5	16.0	5.0
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%

Palo Verde Project— The Authority, pursuant to an assignment agreement dated as of August 14, 1981 with the Salt River Project Agricultural Improvement and Power District, 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 operation in January and 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 agreed to make payments-in-aid of construction to IPA to defray all 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 (IPP) 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, a member of the Authority, has served as project manager and operating agent of 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. Construction is scheduled for completion by September 1992. The Authority will have an 18.68% interest in the contingent capacity of the Hoover Uprating Project. Several "uprated" generators of the Hoover Uprating Project commenced commercial operations during June 1987.

Mead-Phoenix Project— The Authority has also studied the feasibility of constructing the proposed Mead-Phoenix Project, a transmission line from Arizona to Nevada. The Authority's present interest in the Mead-Phoenix Project is 93.75%. The feasibility study is substantially complete and present plans call for the Authority to decide whether to continue with the project in fiscal year 1990.

NOTE B — Summary of significant accounting policies:

The financial statements of the Authority are presented in conformity with generally accepted accounting principles, and 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 regulations of 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 capitalized as utility plant construction work in progress until a facility begins commercial operation.

The Authority's share of 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 on its share of electricity produced by PVNGS. The Authority records this charge as a current year expense.

The costs associated with STS are included as utility plant. Depreciation expense is computed using the straight-line method based on the estimated service lives, principally thirty-five years.

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 USBR billings to participants for energy and capacity.

Nuclear decommissioning— Decommissioning of PVNGS is projected to start sometime after 2027. The Authority is providing for its share of the estimated future decommissioning costs

over the life of the nuclear power plant through annual charges to expense.

A Nuclear Decommissioning Fund has been established. The deposits to the fund plus the interest earnings on the fund balances are expected to be sufficient to pay the Authority's share of the decommissioning costs.

Deferred costs — Deferred costs are shown net of accumulated amortization. Unamortized 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 which are collateralized by such securities. These investments are stated at amortized cost, which in general is not in excess of market. As discussed in Note C, all of the investments are restricted as to their use.

Cash and cash equivalents — Cash and cash equivalents include cash and all investments with maturities less than ninety 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 plant. (See Note F).

Debt expenses — Debt expenses include interest on debt, and the amortization of bond discounts, debt issue and refunding costs.

NOTE C — Special funds:

The Bond Indentures for three of the four projects 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	Held by	Purpose
Construction	Trustee	To disburse funds for the acquisition and construction of the Project
Debt Service	Trustee	To pay interest and principal related to the Revenue Bonds
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
Advance Payments	Trustee	To disburse funds for the cost of acquisition of capacity

Special funds, in thousands, were as follows:

Project	June 30,			
	1989		1988	
	Carrying Value	Market	Carrying Value	Market
Palo Verde	\$219,980	\$225,200	\$223,808	\$231,600
Southern Transmission System	180,557	180,400	171,784	171,100
Hoover Uprating	34,897	34,800	33,927	33,600
Mead-Phoenix	1,154	1,200	1,857	1,900
	<u>\$436,588</u>	<u>\$441,600</u>	<u>\$431,376</u>	<u>\$438,200</u>

Palo Verde Project — The special funds required by the Bond Indenture contain balances, in thousands, as follows:

	June 30,	
	1989	1988
Construction Fund —		
Initial Facilities Account	\$ 49,415	\$ 48,666
Debt Service Fund —		
Debt Service Account	63,733	63,780
Debt Service Reserve Account	90,217	90,050
Bond Anticipation Note Fund	30	30
Revenue Fund	353	421
Operating Fund	5,644	11,155
Reserve and Contingency Fund	10,588	9,706
Total Special Funds	<u>\$219,980</u>	<u>\$223,808</u>

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

	June 30,	
	1989	1988
Construction Fund —		
Initial Facilities Account	\$ 5,309	\$ 10,310
Debt Service Fund —		
Debt Service Account	43,548	41,086
Debt Service Reserve Account	88,948	89,079
Revenue Fund		1
Operating Fund	6,814	7,239
General Reserve Fund	15,777	3,908
Total Special Funds	<u>\$160,396</u>	<u>\$151,623</u>

At June 30, 1989 and 1988, the Authority had non-interest bearing advances outstanding to IPA of \$20,161,000.

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

	June 30,	
	1989	1988
Advance Payments Fund	\$19,947	\$23,244
Revenue Fund	7	
Operating Working Capital Fund	400	340
Debt Service Fund —		
Debt Service Account	710	714
Debt Service Reserve Account	3,615	3,620
Total Special Funds	<u>\$24,679</u>	<u>\$27,918</u>

At June 30, 1989 and 1988, the Authority had non-interest bearing advances to USBR of \$10,218,000 and \$6,009,000, respectively.

Mead-Phoenix Project — At June 30, 1989 and 1988, the balance in the Development Fund was \$1,154,000 and \$1,857,000, respectively, of which substantially all were invested in securities of the United States Government.

NOTE D—Long-term debt:

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 (Bond Indenture), as amended and supplemented. Reference is made to the Combined Schedule of Long-Term Debt at June 30, 1989 for details related to outstanding bonds.

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 E) 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 (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.

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 fiscal year 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 the 1985 Series A Bonds, 2003 for the 1986 Series A Bonds, the 1986 Series B Bonds and the 1987 Series A Bonds and 2005 for the 1985 Series B Bonds and 1989 Series A Bonds. Scheduled principal maturities for the Palo Verde Project during the five fiscal years following June 30, 1989 are \$14,370,000 in 1990, \$15,255,000 in 1991, \$16,325,000 in 1992, \$17,530,000 in 1993 and \$18,860,000 in 1994. The average interest rate on outstanding debt during fiscal years 1989 and 1988 was 7.0% and 7.2%, respectively.

Southern Transmission System Project— To finance payments-in-aid of construction to IPA for construction of STS, the Authority issued Transmission Project Revenue Bonds pursuant to the Authority's Indenture of Trust dated as of May 1, 1983 (Bond Indenture), as amended and supplemented. Reference is made to the Combined Schedule of Long-Term Debt at June 30, 1989 for details related to the outstanding bonds.

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 STS (see Note E) 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; subject to the provisions of the Bond Indenture providing for the application thereof.

NOTE D—Long-term debt: (continued)

All outstanding Transmission 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 fiscal year 2000 for the 1984 Series A Bonds, 2001 for the 1984 Series B Bonds and the 1985 Series A Bonds, 2003 for the 1986 Series A Bonds, 2002 for the 1986 Series B Bonds, and 2007 for the 1988 Series A Bonds. Scheduled principal maturities for STS during the five fiscal years following June 30, 1989 are \$5,825,000 in 1990, \$9,890,000 in 1991, \$10,545,000 in 1992, \$11,295,000 in 1993

and \$12,100,000 in 1994. The average interest rate on outstanding debt during fiscal years 1989 and 1988 was 7.4% and 7.7%, respectively.

Hoover Upgrading Project— To finance advance payments to USBR for application to the costs of the Hoover Upgrading 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). Reference is made to the Combined Schedule of Long-Term Debt at June 30, 1989 for details related to the outstanding bonds.

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 E); (3) interest or other receipts derived from any moneys or securities held pursuant to the Bond Indenture; and (4) 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 Bond Indenture providing for the application thereof.

All outstanding Hydroelectric 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 fiscal year 2002 for the 1986 Series A Bonds. The next scheduled principal maturity for the Hoover Upgrading Project is \$490,000 in 1994. The average interest rate on outstanding debt during fiscal years 1989 and 1988 was 8.0%.

The Authority estimates that the total financing requirements for its interest in the Hoover Upgrading Project will approximate \$34 million, substantially all of which will be expended for payments for capacity and associated firm energy and the acquisition of entitlements to capacity.

Mead-Phoenix Project— The Authority borrowed \$14,148,000 to finance the feasibility study and development costs of the Mead-Phoenix Project. During April 1988, the Authority adopted a note retirement plan. The plan involved voluntary payments by each participant of its proportionate share of the liability with respect to the loan. During the year ended June 30, 1989, the Authority received from the participants \$14,048,000 retiring all the notes but \$100,000. These receipts are shown as Advances from Participants. Authority management anticipates repaying these advances during fiscal 1991 or later.

Refunding bonds— During fiscal year 1989, the proceeds from the sale of \$295,005,000 of Power Project Refunding Bonds were used to advance refund \$187,635,000 of previously issued bonds and the proceeds from the sale of \$239,320,000 of Transmission Project Revenue Bonds were issued to refund \$147,995,000 of previously issued bonds. In connection therewith, the net proceeds of the refunding bonds have been invested in securities of the United States Government, the principal and interest from which will be sufficient to fund the remaining principal, interest and call premium payments on the refunded bonds until the stated first call dates of the respective issues. Accordingly, all amounts related to the refunded bonds have been removed from the balance sheets and the cost of refunding the debt is included in unamortized debt expenses. At June 30, 1989 the aggregate amount of debt considered to be extinguished was \$2,210,680,000.

NOTE E—Power sales and transmission service contracts:

The Authority has sold its entitlement to the output of the Palo Verde Project pursuant to power sales contracts with ten participants (see Note A). Under the terms of the contracts, the participants 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 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 entered into transmission service contracts with six participants of STS (see Note A). Under the terms of the contracts, the participants are entitled to transmission service utilizing STS 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 STS or any part thereof has been completed, is operating or operable, or its service is suspended, interfered with, reduced or curtailed or terminated. 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 Upgrading Project (see Note A). Under the terms of the contracts, the participants are entitled to capacity and associated firm energy of the Hoover Upgrading 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 Upgrading 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 the 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.

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 debt service requirements, 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 as they are intended to be recovered through billings.

Costs recoverable from future billings to participants are comprised of the following:

	June 30, 1988	Fiscal 1989 Activity	June 30, 1989
GAAP items not included in billings to participants:			
Depreciation of plant	\$ 63,521	\$ 36,634	\$100,155
Amortization of bond discount, debt issue costs, and cost of refunding	32,951	20,845	53,796

Nuclear fuel amortization and decommissioning	11,327	6,810	18,137
Interest expense	6,214	(3)	6,211
Bond requirements included in billings to participants:			
Investment income, operations and maintenance, net	(23,533)	(6,731)	(30,267)
Cost of acquisition of capacity—STS		(11,750)	(11,750)
Reduction in debt service due to excess construction	40,999		40,999
Principal repayments	(15,355)	(20,195)	(35,550)
Other	(1,476)	(1,868)	(3,341)
	<u>\$114,648</u>	<u>\$ 23,742</u>	<u>\$138,390</u>

NOTE G—Commitments and contingencies:

As a participant in the PVNGS, the Authority could be subject to assessment of retroactive insurance premium adjustments in the event of a nuclear incident at the PVNGS or at any other licensed reactor in the United States.

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.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
INDEX TO SUPPLEMENTAL FINANCIAL INFORMATION

Combined Schedule of Long-Term Debt at June 30, 1989

Palo Verde Project

- Supplemental Balance Sheet at June 30, 1989 and 1988.
- Supplemental Statement of Operations for the Years Ended June 30, 1989 and 1988.
- Supplemental Statement of Cash Flows for the Years Ended June 30, 1989 and 1988.
- Supplemental Schedule of Receipts and Disbursements in Funds Required by the Bond Indenture for the Year Ended June 30, 1989.

Southern Transmission System Project

- Supplemental Balance Sheet at June 30, 1989 and 1988.
- Supplemental Statement of Operations for the Years Ended June 30, 1989 and 1988.
- Supplemental Statement of Cash Flows for the Years Ended June 30, 1989 and 1988.
- Supplemental Schedule of Receipts and Disbursements in Funds Required by the Bond Indenture for the Year Ended June 30, 1989.

Hoover Upgrading Project

- Supplemental Balance Sheet at June 30, 1989 and 1988.
- Supplemental Statement of Operations for the Years Ended June 30, 1989 and 1988.
- Supplemental Statement of Cash Flows for the Years Ended June 30, 1989 and 1988.
- Supplemental Schedule of Receipts and Disbursements in Funds Required by the Bond Indenture for the Year Ended June 30, 1989.

Mead-Phoenix Project

- Supplemental Balance Sheet at June 30, 1989 and 1988.
- Supplemental Statement of Cash Flows for the Years Ended June 30, 1989 and 1988.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
 COMBINED SCHEDULE OF LONG-TERM DEBT
 AT JUNE 30, 1989
 (In thousands)

	Series	Date of Sale	Effective Interest Rate	Maturity on July 1	Total
Palo Verde Project Revenue and Refunding Bonds	1982A	8/13/82	10.9%	1989 to 2017	\$ 13,795
	1982B	11/12/82	7.7%	1989 to 2017	37,115
	1983A	4/ 8/83	8.8%	1989 to 2017	15,610
	1984A	7/18/84	10.3%	1990 to 2004	12,315
	1985A	5/22/85	8.7%	1989 to 2014	10,415
	1985B	7/ 2/85	9.1%	1989 to 2017	38,465
	1986A	3/13/86	8.2%	1989 to 2015	79,050
	1986B	12/16/86	7.2%	1989 to 2017	353,675
	1987A	2/11/87	6.9%	1989 to 2017	348,955
	1989A	2/15/89	7.2%	1989 to 2015	295,005
					<u>1,204,400</u>
Southern Transmission System					
Project Revenue and Refunding Bonds	1984A	2/ 9/84	9.3%	1990 to 2004	29,790
	1984B	10/17/84	10.2%	1990 to 2000	11,610
	1985A	8/15/85	8.9%	1989 to 2021	16,940
	1986A	3/18/86	8.0%	1989 to 2021	371,365
	1986B	4/29/86	7.5%	1989 to 2023	478,105
	1988A	11/22/88	7.2%	1989 to 2015	239,320
					<u>1,147,130</u>
Hoover Uprating Project Revenue Bonds	1986A	8/13/86	8.1%	1993 to 2017	34,435
Mead-Phoenix Bank Loan					100
Total Principal Amount					<u>2,386,065</u>
Less: Unamortized Bond Discount—					
Palo Verde Project Revenue and Refunding Bonds					146,490
Southern Transmission System					
Project Revenue and Refunding Bonds					126,862
Hoover Uprating Power Project					
Revenue Bonds					139
Total Unamortized Bond Discount					<u>273,491</u>
Total Long-Term Debt					
Less Unamortized Bond Discount					2,112,574
Long-Term Debt Due Within One Year					20,195
					<u>\$2,092,379</u>

Bonds which have been refunded are excluded from this schedule.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
PALO VERDE PROJECT
SUPPLEMENTAL BALANCE SHEET
(In thousands)

	June 30,	
	1989	1988
ASSETS		
Utility plant		
Production	\$ 600,778	\$ 600,458
Transmission	6,008	5,988
General	186	81
	<u>606,972</u>	<u>606,527</u>
Less — Accumulated depreciation	56,180	34,224
	550,792	572,303
Construction work in progress	3,569	2,028
Nuclear fuel, at amortized cost	26,428	31,330
Net utility plant	<u>580,789</u>	<u>605,661</u>
Special funds		
Investments	110,678	139,559
Interest receivable	1,630	2,204
Cash and cash equivalents	107,672	82,045
	<u>219,980</u>	<u>223,808</u>
Accounts receivable	3,635	836
Materials and supplies	6,859	6,528
Costs recoverable from future billings to participants	58,587	42,967
Deferred costs		
Unamortized debt expenses, less accumulated amortization of \$24,106 and \$18,643 in 1989 and 1988	228,150	210,841
Other deferred costs	864	1,309
	<u>229,014</u>	<u>212,150</u>
	<u>\$1,098,864</u>	<u>\$1,091,950</u>
LIABILITIES		
Long-term debt	\$1,043,540	\$1,028,965
Current liabilities		
Long-term debt due within one year	14,370	13,795
Accrued interest	36,219	37,573
Accounts payable and accrued expenses	4,735	12,317
	<u>55,324</u>	<u>62,985</u>
Commitments and contingencies		
	<u>\$1,098,864</u>	<u>\$1,091,950</u>

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
PALO VERDE PROJECT
SUPPLEMENTAL STATEMENT OF OPERATIONS
(In thousands)

	Year ended June 30,	
	1989	1988
Operating revenues		
Sales of electric energy	\$110,164	\$ 85,828
Operating expenses		
Nuclear fuel	10,628	9,042
Other operation	19,635	13,313
Maintenance	5,518	6,388
Depreciation	17,427	13,589
Decommissioning	5,699	4,652
Expense charged to projects during construction		(520)
Total operating expenses	58,907	46,464
Operating income	51,257	39,364
Investment income	18,239	11,072
Income before debt expenses	69,496	50,436
Debt expenses		
Interest on debt	85,116	84,033
Allowance for borrowed funds used during construction		(16,699)
Total debt expenses	85,116	67,334
Costs recoverable from future billings to participants	\$ (15,620)	\$ (16,898)

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
PALO VERDE PROJECT
SUPPLEMENTAL STATEMENT OF CASH FLOWS
(In thousands)

	Year ended June 30,	
	1989	1988
Cash flows from operating activities:		
Costs recoverable from future billings to participants	\$ (15,620)	\$ (16,898)
Adjustments to arrive at net cash provided by operating activities:		
Depreciation	26,955	21,144
Decommissioning	5,699	4,652
Amortization of debt costs	12,017	10,818
Changes in current assets and liabilities:		
Interest receivable	574	(451)
Accounts receivable	(2,799)	2,023
Materials and supplies	(331)	(6,528)
Other assets	15	(198)
Accrued interest	(1,354)	119
Accounts payable and accrued expenses	(7,582)	(1,952)
Net cash provided by operating activities	17,574	12,729
Cash flows from investing activities:		
Payments for construction of facility	(7,781)	(13,890)
Purchases of investments	(101,134)	(141,956)
Proceeds from sale of investments	130,015	160,638
Net cash provided by investing activities	21,100	4,792
Cash flows from financing activities:		
Proceeds from sale of refunding bonds	185,200	
Payment for bond issue costs	(4,325)	
Payment for defeasance of revenue bonds	(180,827)	
Payment for principal of long-term debt	(13,095)	
Net cash used for financing activities	(13,047)	
Net increase in cash and cash equivalents	25,627	17,521
Cash and cash equivalents at beginning of year	82,045	64,524
Cash and cash equivalents at end of year	\$ 107,672	\$ 82,045
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest (net of amount capitalized)	\$ 73,871	\$ 58,328

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
 PALO VERDE PROJECT
 SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE
 Year Ended June 30, 1989
 (In thousands)

	Construction Fund Initial Facilities Account	Debt Service Fund	Bond Anticipation Note Fund	Revenue Fund	Operating Fund	Reserve & Contingency Fund	Total
Balance at June 30, 1988	\$47,767	\$154,374	\$29	\$ 418	\$11,057	\$ 9,683	\$223,328
<i>Additions</i>							
Bond and note proceeds	2,250	(92)					2,158
Investment earnings	4,384	13,069	2	164	854	846	19,319
Transfer of investment earnings	6	(13,554)	(2)	15,241	(854)	(839)	(2)
Revenue from power sales				101,670			101,670
Distribution of revenues		84,835		(113,902)	25,106	3,961	
Other income	10				76		86
Transfer for interest payment		102,906					102,906
Transfer of investments	672	3,259		(2,844)	(1,087)		
Miscellaneous transfers	(1,090)	661		(398)	605	221	(1)
Total	6,232	191,084	---	(69)	24,700	4,189	226,136
<i>Deductions</i>							
Construction expenditures	2,621					2,506	5,127
Operating expenditures					22,333	776	23,109
Fuel cost					5,678		5,678
Payment of principal		13,095					13,095
Interest paid		177,667					177,667
Property tax	76				1,995		2,071
Financing costs	2,208						2,208
Interest paid on investment purchases	263	273			115	10	661
Premium paid on investment purchases	3						3
Loss on sale of investment						7	7
Total	5,171	191,035	---	---	30,121	3,299	229,626
Balance at June 30, 1989	\$48,828	\$154,423	\$29	\$ 349	\$ 5,636	\$10,573	\$219,838

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 \$1,630 and \$2,204 at June 30, 1989 and 1988, nor do they include total amortized net investment premiums of \$1,488 and \$1,724 at June 30, 1989 and 1988.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
SOUTHERN TRANSMISSION SYSTEM PROJECT
SUPPLEMENTAL BALANCE SHEET
(In thousands)

	June 30,	
	1989	1988
ASSETS		
Utility plant		
Transmission	\$ 661,255	\$ 656,773
General	18,857	18,724
	680,112	675,497
Less — Accumulated depreciation	57,272	38,064
	622,840	637,433
Construction work in progress	4,287	912
Net utility plant	627,127	638,345
Special funds		
Investments	95,927	98,160
Advance to Intermountain Power Agency	20,161	20,161
Interest receivable	1,174	855
Cash and cash equivalents	63,295	52,608
	180,557	171,784
Accounts receivable	547	
Costs recoverable from future billings to participants	80,807	71,776
Deferred costs		
Unamortized debt expenses, less accumulated amortization of \$21,539 and \$16,910 in 1989 and 1988	174,258	161,546
	<u>\$1,063,296</u>	<u>\$1,043,451</u>
LIABILITIES		
Long-term debt	\$1,014,443	\$ 998,578
Current liabilities		
Long-term debt due within one year	5,825	2,260
Accrued interest	37,259	38,611
Accounts payable and accrued expenses	5,769	4,002
	48,853	44,873
Commitments and contingencies		
	<u>\$1,063,296</u>	<u>\$1,043,451</u>

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
SOUTHERN TRANSMISSION SYSTEM PROJECT
SUPPLEMENTAL STATEMENT OF OPERATIONS
(In thousands)

	Year ended June 30,	
	1989	1988
Operating revenues		
Sales of transmission services	\$94,769	\$ 82,332
Operating expenses		
Other operation	8,137	8,750
Maintenance	3,205	3,159
Depreciation	19,207	19,975
Total operating expenses	30,549	31,884
Operating income	64,220	50,448
Investment income	10,784	19,996
Income before debt expenses	75,004	70,444
Debt expense		
Interest on debt	84,035	83,979
Costs recoverable from future billings to participants	<u>\$(9,031)</u>	<u>\$(13,535)</u>

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
SOUTHERN TRANSMISSION SYSTEM PROJECT
SUPPLEMENTAL STATEMENT OF CASH FLOWS
(In thousands)

	Year ended June 30,	
	1989	1988
Cash flows from operating activities:		
Costs recoverable from future billings to participants	\$ (9,031)	\$ (13,535)
Adjustments to arrive at net cash provided by operating activities:		
Depreciation	19,207	19,975
Amortization of debt costs	9,125	6,820
Changes in current assets and liabilities:		
Interest receivable	(319)	2,113
Accounts receivable	(547)	2,662
Accrued interest	(1,352)	
Accounts payable and accrued expenses	1,767	774
Net cash provided by operating activities	<u>18,850</u>	<u>18,809</u>
Cash flows from investing activities:		
Payments for construction of facility	(7,990)	(25,307)
Purchases of investments	(61,515)	(133,287)
Proceeds from sale of investments	63,748	133,657
Refund from Intermountain Power Agency		820
Net cash used for investing activities	<u>(5,757)</u>	<u>(24,117)</u>
Cash flows from financing activities:		
Proceeds from sale of refunding bonds	156,050	
Payment for bond issue costs	(2,457)	
Payment for defeasance of revenue bonds	(153,739)	
Payment for principal of long-term debt	(2,260)	
Net cash used for financing activities	<u>(2,406)</u>	<u>—</u>
Net increase (decrease) in cash and cash equivalents	10,687	(5,308)
Cash and cash equivalents at beginning of year	52,608	57,916
Cash and cash equivalents at end of year	<u>\$ 63,295</u>	<u>\$ 52,608</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest (net of amount capitalized)	<u>\$ 72,906</u>	<u>\$ 77,221</u>

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
 SOUTHERN TRANSMISSION SYSTEM PROJECT
 SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE

Year Ended June 30, 1989
 (In thousands)

	Construction Fund-Initial Facilities Account	Debt Service Fund	Revenue Fund	Operating Fund	General Reserve Fund	Total
Balance at June 30, 1988	\$10,096	\$129,132	\$ —	\$ 7,230	\$ 3,834	\$150,292
Additions						
Bond and note interest received		518				518
Investment earnings	910	8,835	241	570	587	11,143
Revenue from transmission sales			94,534			94,534
Transfer of investments		1,788	(912)		(876)	
Transfer of investment earnings		(8,684)	9,740	(522)	(534)	
Transfer of funds	(1,863)	(3,893)				(5,756)
Distribution of revenue		79,102	(103,603)	11,816	12,685	
Transfer for interest payment		91,578				91,578
Other receipts	2,393					2,393
Total	1,440	169,244	—	11,864	11,862	194,410
Deductions						
Payments-in-aid of construction	6,192					6,192
Operating expenditures				12,306		12,306
Principal payment		2,260				2,260
Interest paid		164,484				164,484
Interest paid on investment purchases	31	153		48	62	294
Premium paid on investment purchases	11	2			3	16
Total	6,234	166,899	—	12,354	65	185,552
Balance at June 30, 1989	\$ 5,302	\$131,477	\$ —	\$ 6,740	\$15,631	\$159,150

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 \$1,174 and \$855 at June 30, 1989 and 1988, nor do they include total amortized net investment discounts of \$72 and \$477 at June 30, 1989 and 1988.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
 HOOVER UPRATING PROJECT
 SUPPLEMENTAL BALANCE SHEET

(In thousands)

	June 30,	
	1989	1988
ASSETS		
Special funds		
Investments	\$18,747	\$20,584
Advances for capacity and energy, net	10,218	6,009
Interest receivable	292	264
Cash and cash equivalents	5,640	7,070
	34,897	33,927
Billings to participants in excess of costs recoverable	(1,004)	(95)
Deferred costs		
Unamortized debt expenses, less accumulated amortization of \$155 and \$102 in 1989 and 1988	1,107	1,159
	\$35,000	\$34,991
LIABILITIES		
Long-term debt	\$34,296	\$34,294
Current liabilities		
Accrued interest	689	689
Accounts payable and accrued expenses	15	8
	704	697
Commitments and contingencies		
	\$35,000	\$34,991

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
HOOVER UPRATING PROJECT
SUPPLEMENTAL STATEMENT OF OPERATIONS
(In thousands)

	Year ended June 30,	
	1989	1988
Operating revenues		
Sales of electric energy	\$2,760	\$2,530
Operating expenses		
Capacity charges	391	235
Energy charges	596	652
Other operation	140	244
Total operating expenses	1,127	1,131
Operating income	1,633	1,399
Investment income	2,033	3,992
Income before debt expenses	3,666	5,391
Debt expense		
Interest on debt	2,757	5,296
Billings to participants in excess of costs recoverable	\$ 909	\$ 95

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
HOOVER UPRATING PROJECT
SUPPLEMENTAL STATEMENT OF CASH FLOWS
(In thousands)

	Year ended June 30,	
	1989	1988
Cash flows from operating activities:		
Billings to participants in excess of costs recoverable	\$ 909	\$ 95
Adjustments to arrive at net cash provided by (used for) operating activities:		
Amortization of debt costs	54	54
Changes in current assets and liabilities:		
Interest receivable	(28)	238
Accounts receivable		66
Accounts payable and accrued expenses	7	(816)
Net cash provided by (used for) operating activities	942	(363)
Cash flows from investing activities:		
Advances for capacity and energy, net	(4,209)	(2,945)
Purchases of investments	(10,248)	(6,159)
Proceeds from sale of investments	12,085	11,685
Net cash (used for) provided by investing activities	(2,372)	2,581
Cash flows from financing activities:		
Net (decrease) increase in cash and cash equivalents	(1,430)	2,218
Cash and cash equivalents at beginning of year	7,070	4,852
Cash and cash equivalents at end of year	\$ 5,640	\$ 7,070
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest (net of amount capitalized)	\$ 2,757	\$ 2,757

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
 HOOVER UPRATING PROJECT
 SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN FUNDS REQUIRED BY THE BOND INDENTURE
 Year Ended June 30, 1989
 (In thousands)

	Advance Payments Fund	Interim Advance Payments Fund	Revenue Fund	Operating Working Capital Fund	Debt Service Account	Debt Service Reserve Account	Total
Balance at June 30, 1988	\$19,754	\$4,081	\$ —	\$340	\$ 714	\$3,624	\$28,513
<i>Additions</i>							
Investment earnings	1,758	204	3	37	46	295	2,343
Transfer of investment earnings	518	(204)	(3)	30	(46)	(295)	
Sales			2,760				2,760
Transfer of sales receipts			(2,753)		2,753		
Transfer of investments	(4,699)	4,699					
Miscellaneous transfers	3,258	(3,258)					
Total	835	1,441	7	67	2,753	—	5,103
<i>Deductions</i>							
Advances for capacity and energy		5,195					5,195
Administrative expenditures	135						135
Interest paid					2,757		2,757
Interest paid on investment purchases	20			7			27
Premium paid on investment purchases	425						425
Total	580	5,195	—	7	2,757	—	8,539
Balance at June 30, 1989	\$20,009	\$ 327	\$ 7	\$400	\$ 710	\$3,624	\$25,077

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 \$292 and \$264 at June 30, 1989 and 1988, nor do they include total amortized net investment premiums of \$690 and \$858 at June 30, 1989 and 1988.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
 MEAD-PHOENIX PROJECT
 SUPPLEMENTAL BALANCE SHEET
 (In thousands)

	June 30,	
	1989	1988
ASSETS		
Utility plant		
Construction work in progress	\$12,999	\$12,600
Special funds		
Investments	1,089	1,843
Cash and cash equivalents	65	14
	1,154	1,857
Deferred charges		
Unamortized debt expenses, less accumulated amortization of \$563 and \$509 in 1989 and 1988		54
	\$14,153	\$14,511
LIABILITIES		
Long-term debt	\$ 100	\$ 100
Current liabilities		
Long-term debt due within one year		14,048
Accrued interest	1	351
Accounts payable and accrued expenses	4	12
	5	14,411
Advances from participants	14,048	
Commitments and contingencies		
	\$14,153	\$14,511

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
 MEAD-PHOENIX PROJECT
 SUPPLEMENTAL STATEMENT OF CASH FLOWS
 (In thousands)

	<i>Year ended June 30,</i>	
	<u>1989</u>	<u>1988</u>
Cash flows from operating activities:	\$ —	\$ —
Cash flows from investing activities:		
Payments for feasibility study	(703)	(1,061)
Purchases of investments	(4,818)	(4,479)
Proceeds from sale of investments	5,572	5,546
Net cash provided by investing activities	<u>51</u>	<u>6</u>
Cash flows from financing activities:		
Payment of long-term debt	(14,048)	
Proceeds from advances from participants	14,048	
Net cash provided by financing activities	<u>—</u>	<u>—</u>
Net increase in cash and cash equivalents	51	6
Cash and cash equivalents at beginning of year	14	8
Cash and cash equivalents at end of year	<u>\$ 65</u>	<u>\$ 14</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest (net of amount capitalized)	<u>\$ —</u>	<u>\$ —</u>



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