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 FACIL: STN-50-528 Palo Verde Nuclear Station, Unit 1, Arizona Publi. 05000528
 STN-50-529 Palo Verde Nuclear Station, Unit 2, Arizona Publi 05000529
 STN-50-530 Palo Verde Nuclear Station, Unit 3, Arizona Publi 05000530
 AUTH. NAME AUTHOR AFFILIATION
 VAN BRUNT, E. E. Arizona Nuclear Power Project (formerly Arizona Public Serv
 RECIP. NAME RECIPIENT AFFILIATION
 Office of Nuclear Reactor Regulation, Director (post 851125)

SUBJECT: Forwards projected cash flow statements for 1986, per
 10CFR140.21 & Southern California Public Power Authority
 rept & financial statements 850630 & 1984.

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Arizona Nuclear Power Project

P.O. BOX 52034 • PHOENIX, ARIZONA 85072-2034

June 2, 1986
ANPP-36734-EEVB/JRP/98.05

Director of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Subject: Palo Verde Nuclear Generating Station (PVNGS)
Units 1, 2 and 3
Docket Nos. STN 50-528 (License NPF-41)
STN 50-529 (License NPF-51)
STN 50-530
Licensee Guarantee of Payment of Deferred Premium
File: 86-003-240

Reference: Letter from E. E. Van Brunt, Jr., (ANPP-36093)
dated April 15, 1986, to the Director of NRR.

Dear Sir:

Pursuant to the requirement in 10 CFR 140.21, as defined in subpart (e) of this section, Arizona Public Service Company, for itself and on behalf of the participants in the Palo Verde Nuclear Generating Station, herewith submits projected 1986 cash flow statements as delineated in the referenced letter. Should you have any questions, please call.

Very truly yours,

E. E. Van Brunt, Jr.
Executive Vice President
Project Director

EEVB/JRP/rw
Attachments

cc: Director Region V, USNRC
NRC Project Manager - E. A. Licitra
NRC Resident Inspector - R. P. Zimmerman

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ARIZONA PUBLIC SERVICE COMPANY
1986 NET CASH FLOW PROJECTION
FOR PALO VERDE NUCLEAR GENERATING STATION
(\$000)

PARTICIPANT: Arizona Public Service Company

	1985 <u>Actual</u>	1986 ⁽¹⁾ <u>Projected</u>
1. Net income after taxes	\$ 325,423	\$ 217,170
2. Less dividends paid:		
3. Preferred dividend requirements	(44,412)	(41,882)
4. Dividends on common stock	<u>(194,091)</u>	<u>(203,818)</u>
5. Retained earnings	\$ 86,920	\$ (28,530)
6. Adjustments:		
7. Depreciation and amortization	99,221	167,247
8. Deferred income taxes	72,855 ⁽²⁾	96,163 ⁽²⁾
9. ITC net deferred	36,383	21,558
10. Allowance for funds used during construction (equity and borrowed)	(191,788)	(126,451)
11. Other	<u>(1,688)⁽³⁾</u>	<u>(1,688)⁽³⁾</u>
12. Total Adjustments	\$ 14,983	\$ 156,829
13. Internal cash flow (5 + 12)	<u>\$ 101,903</u>	<u>\$ 128,299</u>
14. Average quarterly cash flow (13 ÷ 4)	<u>\$ 25,476</u>	<u>\$ 32,075</u>

Percentage ownership in all nuclear units:

Unit 1 - 29.1%
Unit 2 - 29.1%
Unit 3 - 29.1%

Maximum total contingent liability for PVNGS =

\$30,000,000 (\$10,000,000 per unit)

(1) Projected data assumes present rate level.

(2) Excludes deferred income taxes on deferred fuel.

(3) Amortization of tax benefits sold in 1981

14-Feb-86

(NRC_REQ)

SALT RIVER PROJECT-
INTERNAL CASH FLOW PROJECTION
FOR

PALO VERDE NUCLEAR GENERATING STATION
FOR FISCAL YEARS ENDED APRIL 30, 1985 AND 1986
(\$000)

	1985 ACTUAL	1986 PROJECTED
Net Income after taxes	215,677	163,983
Less dividends paid:		
Preferred dividend requirements		
Dividends on common stock		
Retained Earnings	215,677	163,983
Adjustments:		
Depreciation and amortization	71,811	94,602
Deferred Income Taxes and Investment Tax Credits		
Allowance for Funds Used During Construction	(123,897)	(115,077)
*Other	0	90,653
Total Adjustments	(52,086)	70,178
Internal Cash Flow	163,591	234,161
Average Quarterly Cash Flow	40,898	58,540
Percentage Ownership in all nuclear units*		
Unit 1	23.19%	17.49%
Unit 2	23.19%	17.49%
Unit 3	23.19%	17.49%

* SRP exchanged with Los Angeles Dept of Water and Power a 5.70% interest of Palo Verde for an additional 30% interest in Coronado Generating Station and \$181,274,000, of which \$90,653,000 was received in January 1986.

1986 Internal Cash Flow Projection
of Los Angeles Department of Water and Power
for Palo Verde Nuclear Power Station
(Dollars in Thousands)

	Prior Year <u>Actual Total</u>	Projection <u>Year Total</u>
Net Income	\$213,630	\$279,600
Less Transfer to City	(58,867)	(64,400)
Retained Earnings	<u>\$154,763</u>	<u>\$215,200</u>
Adjustments		
Depreciation and Amortization	\$105,483	\$108,200
Allowance for Funds Used During Construction	<u>(3,208)</u>	<u>(5,400)</u>
Total Adjustments	<u>\$102,275</u>	<u>\$102,800</u>
Internal Cash Flow	<u>\$257,038</u>	<u>\$318,000</u>
Average Quarterly Cash Flow	<u>\$ 64,260</u>	<u>\$ 79,500</u>
Percentage Ownership in All Operating Nuclear Units	Palo Verde	5.7%
Maximum Total Contingent Liability		<u>\$570,000</u>

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1986 Proforma Internal Cash Flow
(\$000)

	1986 <u>PROFORMA</u>
1. Net Income After Taxes	\$128,878
2. Less Dividends Paid:	
3. Preferred Dividend Requirements	(10,679)
4. Dividends on Common Stock	(105,902)
5. Retained Earnings	12,297
6. Adjustments:	
7. Depreciations and Amortization	49,846
8. Deferred Income Taxes	21,614
9. ITC Adjustment - Net	(3,939)
10. Allowance for Funds used During Construction (Equity & Borrowed)	(62,549)
11. Other	0
12. Total Adjustments	4,972
13. Internal Cash Flow (5 - 12)	(7,325)
14. Average Quarterly Cash Flow (13 ÷ 4)	(1,831)

Percentage Entitlement In All Nuclear Units

Unit 1 - 10.2%
Unit 2 - 10.2%
Unit 3 - 10.2%



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SOUTHERN CALIFORNIA EDISON COMPANY

1986 International Cash Flow Projections
(Dollars in Thousands)

	<u>1985 Actual</u>	<u>1986 Projected</u>
Net Income After Taxes	\$774,000	*
Dividends Paid	<u>(532,000)</u>	*
Retained Earnings	\$242,000	*
Adjustments:		
Depreciation & Amortization	455,000	526,000
Deferred Taxes	277,000	283,000
Allowance for Funds Used During Construction	<u>(158,000)</u>	<u>(113,000)</u>
Total Adjustments	<u>\$574,000</u>	<u>\$696,000</u>
Internal Cash Flow	<u>\$816,000</u>	*
Average Quarterly Cash Flow	<u>\$204,000</u>	*

Percentage Ownership in All Nuclear Units:

San Onofre Nuclear Generating Station Unit 1	
Southern California Edison Company	80.00%
San Diego Gas & Electric Company	20.00%
San Onofre Nuclear Generating Station Units 2 and 3	
Southern California Edison Company	75.05%
San Diego Gas & Electric Company	20.00%
City of Anaheim	3.16%
City of Riverside	1.79%
Palo Verde Nuclear Generating Station Units 1 and 2	15.80%

Maximum Total Contingent Liability:

San Onofre Nuclear Generating Station Unit 1	\$10,000
San Onofre Nuclear Generating Station Unit 2	\$10,000
San Onofre Nuclear Generating Station Unit 3	\$10,000
Palo Verde Nuclear Generating Station Unit 1	1,580
Palo Verde Nuclear Generating Station Unit 2	<u>1,580</u>
	<u>\$33,160</u>

* Company policy prohibits disclosure of financial data which will enable unauthorized persons to forecast earnings or dividends, unless assured confidentiality. The Net Estimated Cash Flow for 1986 is expected to be comparable to the Actual Cash Flow for 1985.

1985 CONSOLIDATED INTERNAL CASH FLOW STATEMENT
FOR
PALO VERDE NUCLEAR GENERATING STATION
---(\$000)

For the year ending December 31, 1985

PARTICIPANT: EL PASO ELECTRIC COMPANY

	1985 ACTUAL	1986 PROJECTED
1. Net income after taxes	113,071	115,702
2. Less dividends paid:		
3. Preferred dividend requirements	14,754	14,200
4. Dividends on common stock	<u>50,867</u>	<u>53,859</u>
5. Retained earnings	47,450	47,643
6. Retained earnings		
7. Adjustments:		
8. Depreciation and amortization	14,755	17,593
9. Deferred income taxes	46,085	19,482
10. ITC adjustment - net	(3,764)	(1,022)
11. Allowance for funds used during construction (equity & borrowed)	(99,040)	(115,019)
12. Other	<u>2,702</u>	
13. Total adjustments	<u>(39,262)</u>	<u>(31,323)</u>
14. Internal cash flow (5 ± 12)	<u>\$ 8,188</u>	<u>\$16,320</u>
15. Average quarterly cash flow (13 ÷ 4)	<u>\$ 2,047</u>	<u>\$4,080</u>
Percentage ownership in all nuclear units		
Unit 1 -	15.8%	
Unit 2 -	15.8%	
Unit 3 -	15.8%	

Maximum total contingent liability for PVNGS = \$30,000,000 (\$10,000,000 per unit)

El Paso Electric Company's share = \$4,740,000

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SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

REPORT AND FINANCIAL STATEMENTS

JUNE 30, 1985 AND 1984

Price Waterhouse



September 25, 1985

To the Board of Directors of
Southern California Public
Power Authority

In our opinion, the accompanying balance sheet and the related statements of changes in financial position and of revenue bonds and bond anticipation notes payable present fairly the financial position of Southern California Public Power Authority at June 30, 1985 and 1984 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 and the related separate statements of changes in financial position present fairly the financial position of each of the Projects at June 30, 1985 and the changes in each of their financial positions 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 balance sheets and supplemental statements of changes in financial position for the Palo Verde Project and Southern Transmission Project at June 30, 1985 and 1984 and for the years then ended and the supplemental schedules of receipts and disbursements in funds for the Palo Verde Project and Southern Transmission Project for the year ended June 30, 1985 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

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

BALANCE SHEET
(In thousands)

ASSETS

	June 30, 1985				June 30, 1984
	<u>Palo Verde Project</u>	<u>Southern Transmission Project</u>	<u>Mead Phoenix Project</u>	<u>Total</u>	<u>Total</u>
<u>Utility plant -</u>					
Construction work in progress	\$499,430	\$ 534,176	\$ 8,675	\$1,042,281	\$ 617,311
<u>Special funds (Notes B, C and D):</u>					
Investments	368,596	561,674	5,535	935,805	1,138,808
Interest receivable	14,576	11,880		26,456	27,832
Cash	254		13	267	155
	<u>383,426</u>	<u>573,554</u>	<u>5,548</u>	<u>962,528</u>	<u>1,166,795</u>
Accounts receivable (Note E)	678	5,997		6,675	
Unamortized debt expenses, less accumulated amortization of \$9,061 and \$4,703 in 1985 and 1984	<u>36,189</u>	<u>22,505</u>	<u>51</u>	<u>58,745</u>	<u>36,353</u>
	<u>\$919,723</u>	<u>\$1,136,232</u>	<u>\$14,274</u>	<u>\$2,070,229</u>	<u>\$1,820,459</u>
	<u>LIABILITIES</u>				
<u>Long-term liabilities:</u>					
Revenue bonds (Notes B and D)	\$789,014	\$ 828,878		\$1,617,892	\$1,183,558
Bond anticipation notes	75,000	200,000		275,000	200,000
Bank loan payable (Note C)			\$14,148	14,148	14,148
	<u>864,014</u>	<u>1,028,878</u>	<u>14,148</u>	<u>1,907,040</u>	<u>1,397,706</u>
<u>Current liabilities (Notes B and C):</u>					
Bond anticipation notes					312,875
Accrued interest payable	48,708	49,245	75	98,028	72,163
Accounts payable and accrued liabilities	<u>7,001</u>	<u>58,109</u>	<u>51</u>	<u>65,161</u>	<u>37,715</u>
	55,709	107,354	126	163,189	422,753
Commitments and contingencies (Note F)					
	<u>\$919,723</u>	<u>\$1,136,232</u>	<u>\$14,274</u>	<u>\$2,070,229</u>	<u>\$1,820,459</u>

See accompanying notes to financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

STATEMENT OF CHANGES IN FINANCIAL POSITION

(In thousands)

	Year ended June 30, 1985				Year ended June 30, 1984
	<u>Palo Verde Project</u>	<u>Southern Transmission Project</u>	<u>Mead Phoenix Project</u>	<u>Total</u>	<u>Total</u>
<u>Financial resources provided by:</u>					
Sale of revenue bonds	\$198,395	\$235,000		\$433,395	\$ 593,859
Sale of refunding bonds	205,918			205,918	
Sale of bond anticipation notes	75,000			75,000	512,875
Long-term bank loan					2,836
Decrease (increase) in -					
Investments	(67,496)	269,534	\$ 965	203,003	
Interest receivable	(5,955)	7,331		1,376	
Cash					1,337
Increase (decrease) in -					
Accrued interest payable	15,329	10,557	(21)	25,865	38,238
Accounts payable and accrued liabilities	2,285	25,305	(144)	27,446	36,577
Other, net	153	14		167	228
	<u>\$423,629</u>	<u>\$547,741</u>	<u>\$ 800</u>	<u>\$972,170</u>	<u>\$1,185,950</u>
<u>Financial resources used for:</u>					
Utility plant - construction					
work in progress -					
Payments-in-aid of construction		\$315,391		\$315,391	\$ 194,638
Interest expense	\$ 84,977	101,305	\$1,196	187,478	109,896
Generating station	19,765			19,765	19,417
Startup and preoperating expenses	17,827			17,827	13,452
Nuclear fuel	8,567			8,567	2,709
Other	4,644	2,299	295	7,238	10,095
Investment earnings	(48,577)	(82,129)	(590)	(131,296)	(67,732)
Total utility plant - construction work in progress	87,203	336,866	901	424,970	282,475
Payment of bond anticipation notes	112,875	200,000		312,875	220,000
Deposits to escrow account	205,146			205,146	
Increase (decrease) in -					
Cash	113		(1)	112	
Investments					643,820
Accounts receivable	678	5,997		6,675	
Interest receivable					21,675
Unamortized debt expenses	17,614	4,878	(100)	22,392	17,980
	<u>\$423,629</u>	<u>\$547,741</u>	<u>\$ 800</u>	<u>\$972,170</u>	<u>\$1,185,950</u>

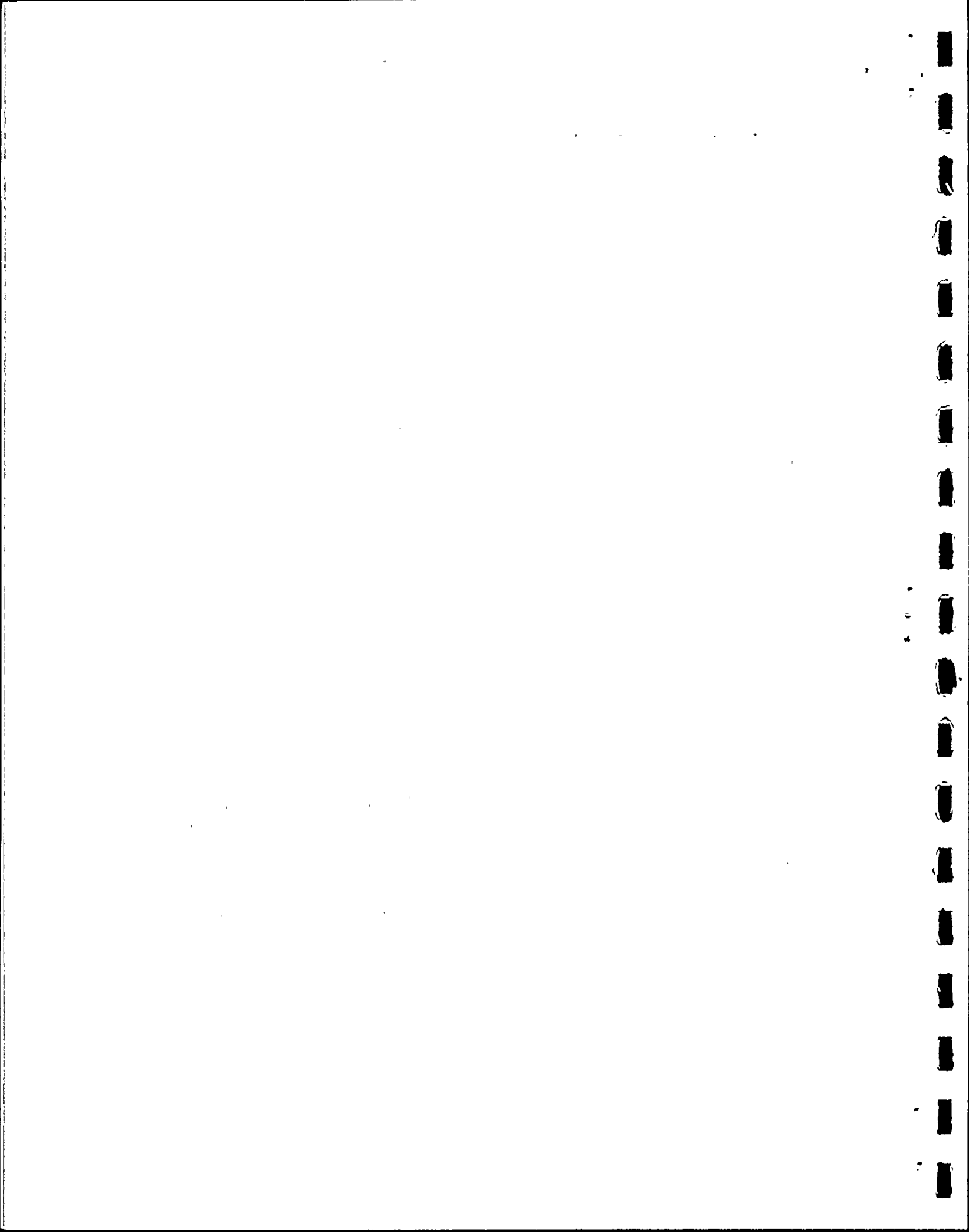
See accompanying notes to financial statements.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

STATEMENT OF REVENUE BONDS AND
BOND ANTICIPATION NOTES PAYABLE
JUNE 30, 1985 AND 1984

	Series	Date of sale	Effective interest rate	Coupon rate	Maturity on July 1	June 30	
						1985 (In thousands)	1984
Power Project Revenue Bonds	1982 A	8/13/82	12.36%	7.0% to 12.0%	1988 to 2017	\$ 350,000	\$ 350,000
	1982 B	11/12/82	10.52%	6.0% to 10.25%	1988 to 2017	150,000	150,000
	1983 A	4/8/83	9.37%	7.0% to 9.25%	1988 to 2017	150,000	150,000
	1984 A	7/18/84	11.77%	8.75% to 11.50%	1990 to 2017	200,000	
						<u>850,000</u>	<u>650,000</u>
Power Project Refunding Bonds	1985 A	5/22/85	9.70%	6.50% to 9.25%	1988 to 2014	208,335	
Transmission Project Revenue Bonds	1984 A	2/9/84	10.18%	7.5% to 10.0%	1990 to 2023	600,000	600,000
	1984 B	10/17/84	11.48%	8.75% to 11.25%	1990 to 2021	235,000	
						<u>835,000</u>	<u>600,000</u>
Total principal amount						<u>1,893,335</u>	<u>1,250,000</u>
Unamortized bond discount, Power Project Revenue Bonds (Note A)						64,175	60,306
Unamortized bond discount, Transmission Project Revenue Bonds (Note A)						<u>6,122</u>	<u>6,135</u>
Total unamortized bond discount						<u>70,297</u>	<u>66,441</u>
Revenue bonds payable less unamortized bond discount						1,823,038	1,183,559
Power Project Refunding Bond Escrow Account (Note G)						<u>205,146</u>	
Revenue bonds payable, net						<u>\$1,617,892</u>	<u>\$1,183,559</u>
Power Project Bond Anticipation Notes	1983 A	8/16/83	7.27%	6.5%	4/15/85		\$ 112,875
	1984 A	7/18/84	8.44%	8.0%	6/01/87	\$ 75,000	
Transmission Project Bond Anticipation Notes	1984 A	2/9/84	6.85%	6.0% to 6.75%	4/15/85 and 1/01/87	200,000	400,000
						<u>\$ 275,000</u>	<u>\$ 512,875</u>

See accompanying notes financial statements.



SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

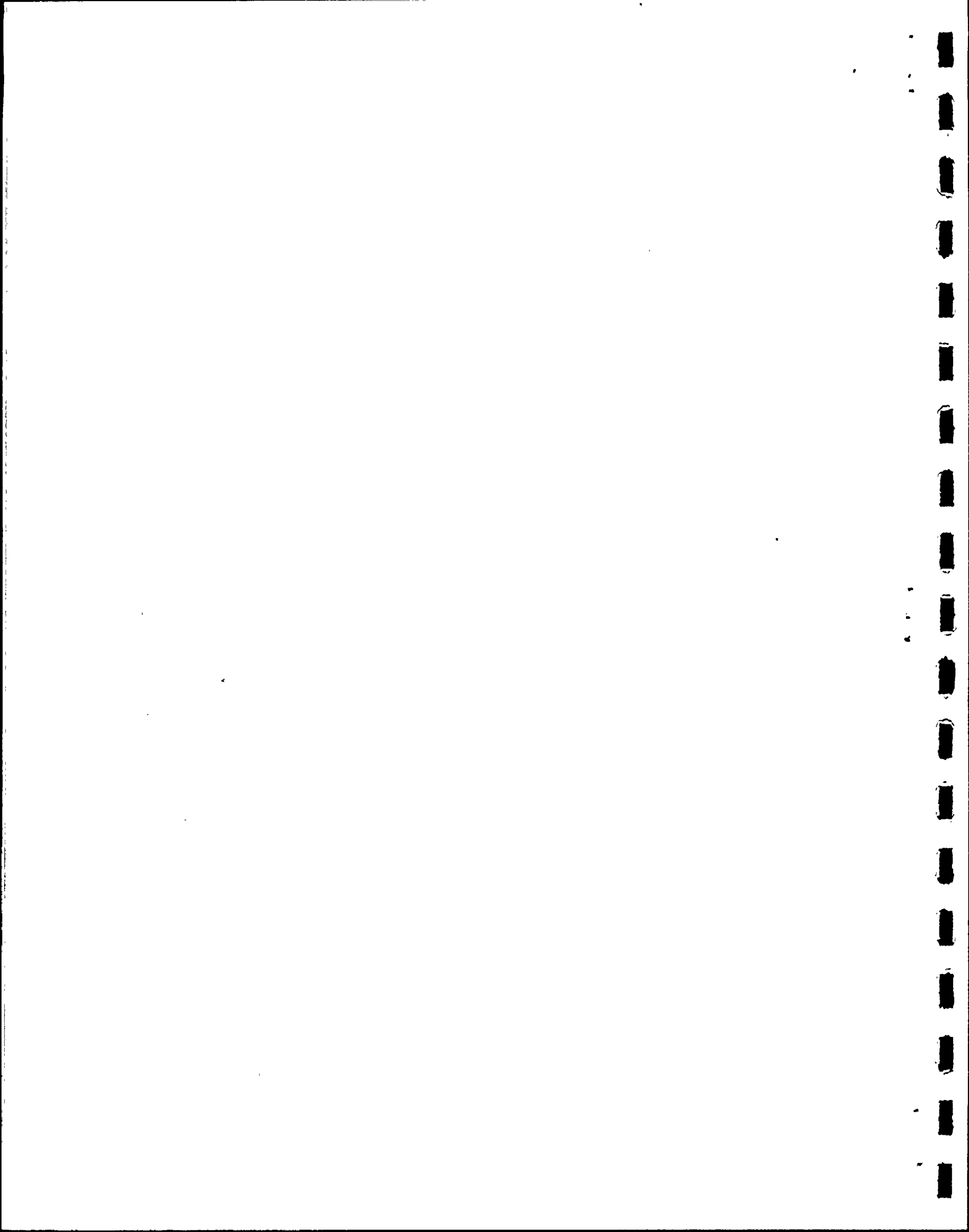
NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of significant
accounting policies:

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, 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). 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%.



NOTE A - Summary of significant
accounting policies: (Continued)

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 Project, 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.

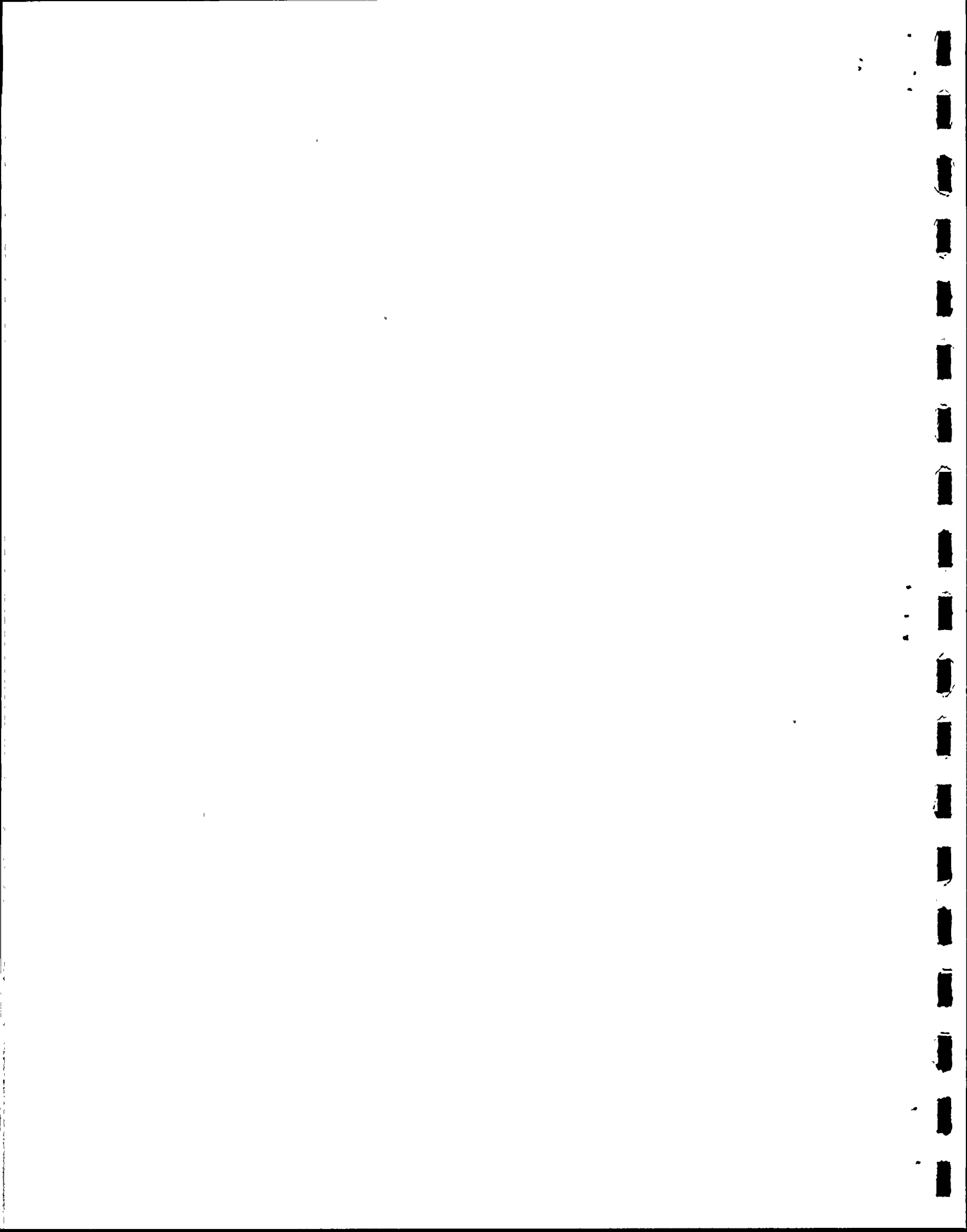
The Authority maintains its records substantially in accordance with accounting principles and methods prescribed by the Federal Energy Regulatory Commission and the California Public Utilities Commission. The Authority is not subject to regulation by such commissions.

Utility plant

All expenditures, including general, administrative, other overhead expenses, payments-in-aid of construction and interest, net of related investment income, are capitalized as utility plant construction work in progress until a facility begins commercial operation.

Unamortized debt discount and expenses

Unamortized bond and note discount and expenses related to the issuance of debt are amortized over the terms of the respective issues. Amortization expense is charged to utility plant construction work in progress until a facility begins commercial operation.



NOTE A - Summary of significant
accounting policies: (Continued)

Investments

Investments include repurchase agreements and United States Government and Government Agency Securities and are stated at amortized cost. Investment income is recorded as a reduction of construction costs. As discussed in Notes B and C, all of the investments are restricted as to their use.

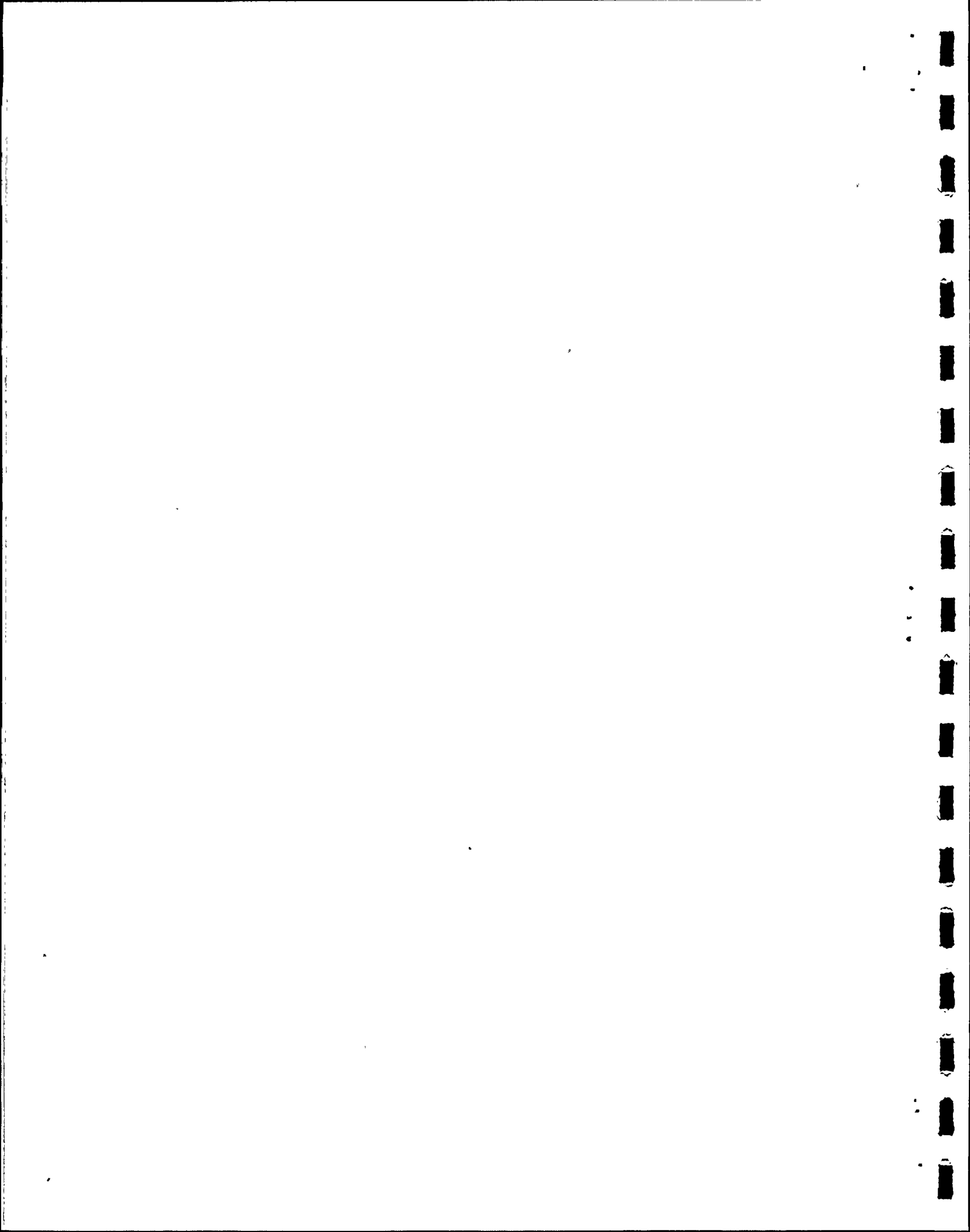
Investments, in thousands, were as follows:

<u>Project</u>	<u>Cost</u>	<u>June 30,</u>		<u>Cost</u>	<u>Market</u>
		<u>1985</u>	<u>1984</u>		
Palo Verde	\$368,596	\$381,339	\$ 301,100	\$ 291,982	
Southern Transmission	561,674	572,320	831,208	813,111	
Mead-Phoenix	5,535	5,560	6,321	6,066	
	<u>\$935,805</u>	<u>\$959,219</u>	<u>\$1,138,629</u>	<u>\$1,111,159</u>	

NOTE B - Revenue bonds payable and
bond anticipation notes payable:

Palo Verde Project

To finance the purchase and construction of the Palo Verde Project, the Authority issues 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 Statement of Revenue Bonds and Bond Anticipation Notes Payable at June 30, 1985 and 1984 for



NOTE B - Revenue bonds payable and
bond anticipation notes payable: (Continued)

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 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). 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 installments 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, and 2001 for the 1984 Series A Bonds and 1985 Series A Bonds. Scheduled principal maturities for the Palo Verde Project during the five fiscal years succeeding June 30, 1985 are \$4,360,000 in 1989 and \$4,705,000 in 1990. No principal maturities of bonds outstanding at June 30, 1985 are scheduled for fiscal 1986, 1987 and 1988.

NOTE B - Revenue bonds payable and
bond anticipation notes payable: (Continued)

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

	June 30,	
	<u>1985</u>	<u>1984</u>
	(In thousands)	
Construction Fund-Initial		
Facilities Account	\$ 63,595	\$ 81,007
Debt Service Fund -		
Debt Service Account	194,092	138,824
Debt Service Reserve Account	99,013	70,262
Note Escrow Fund	2,188	-
Note Fund	-	38
Bond Anticipation Note Fund	12,318	7,552
Operating Fund	6,275	6,093
Reserve and Contingency Fund	<u>5,945</u>	<u>6,086</u>
	383,426	309,862
Bond Escrow Fund	<u>210,539</u>	<u>-</u>
Total Palo Verde Project Funds	<u>\$593,965</u>	<u>\$309,862</u>

Southern Transmission Project

To finance payments 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 Statement of Revenue Bonds and Bond Anticipation Notes Payable at June 30, 1985 and 1984 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 D) and interest on all moneys or

NOTE B - Revenue bonds payable and
bond anticipation notes payable: (Continued)

The Bond Indenture and Note Resolution 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 moneys and investments held in these funds are restricted for use only for the purposes as stipulated in the bond indentures and note resolutions. A summary of these funds follows:

<u>Fund</u>	<u>Held by</u>	<u>Purpose</u>
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 Escrow	Fiscal Agent	To pay interest and principal related to the Bond Anticipation Notes
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

NOTE B - Revenue bonds payable and
bond anticipation notes payable: (Continued)

securities (other than in the Construction Fund) held pursuant to the STS Bond Indenture and (3) all funds established by the STS Bond Indenture. 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. Scheduled principal maturities for the Southern Transmission Project during the five fiscal years succeeding June 30, 1985 are \$200,000,000 in 1986 and \$3,835,000 in 1990; no principal maturities of bonds outstanding at June 30, 1985 are scheduled for fiscal 1987, 1988 and 1989.

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

	June 30,	
	<u>1985</u>	<u>1984</u>
	(In thousands)	
Construction Fund	\$310,427	\$582,367
Debt Service Fund -		
Debt Service Account	129,744	150,781
Debt Service Reserve Account	93,320	62,199
Note Fund	<u>40,063</u>	<u>55,072</u>
Total Southern Transmission Project Funds	<u>\$573,554</u>	<u>\$850,419</u>

Note B - Revenue bonds payable and
bond anticipation notes payable: (Continued)

Refunding bonds

In fiscal 1985 the Authority sold \$208,335,000 Power Project Refunding Bonds to advance refund \$180,000,000 of the Authority's Power Project Revenue Bonds. The net proceeds of the Refunding Bonds were placed in an escrow account. Interest payments on the revenue bonds will be made from interest earned on investments held in the escrow account until the bonds are called on July 1, 1992. At June 30, 1985, \$205,146,000 of this escrow account has been offset against revenue bonds in the accompanying balance sheet. After the moneys in the escrow account are applied to redeem the revenue bonds, the outstanding advance refunding bonds will be payable from revenues earned on the Palo Verde project.

Subsequent to June 30, 1985 the Authority sold two additional series of advance refunding bonds. On July 2, 1985, \$214,205,000 Power Project Revenue Bonds, 1985 Refunding Series B, were issued to advance refund \$157,970,000 of the Authority's Power Project Revenue Bonds, 1984 Series A. On August 15, 1985 \$219,050,000 Transmission Project Revenue Bonds, 1985 Refunding Series A, were issued to advance refund \$216,230,000 of the Authority's Transmission Project Revenue Bonds, 1984 Series B.

NOTE C - Long-term bank loan payable:

As of June 30, 1985, 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 65% of the prime rate; however, the interest rate cannot exceed 12%. The average interest rate on this loan was 7.63% and 7.44% during 1985 and 1984. 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, 1985 and 1984, the balance in the Development Fund was \$5,548,000 and \$6,514,000 of which \$5,535,000 and \$6,321,000 were invested in United States Government Securities.

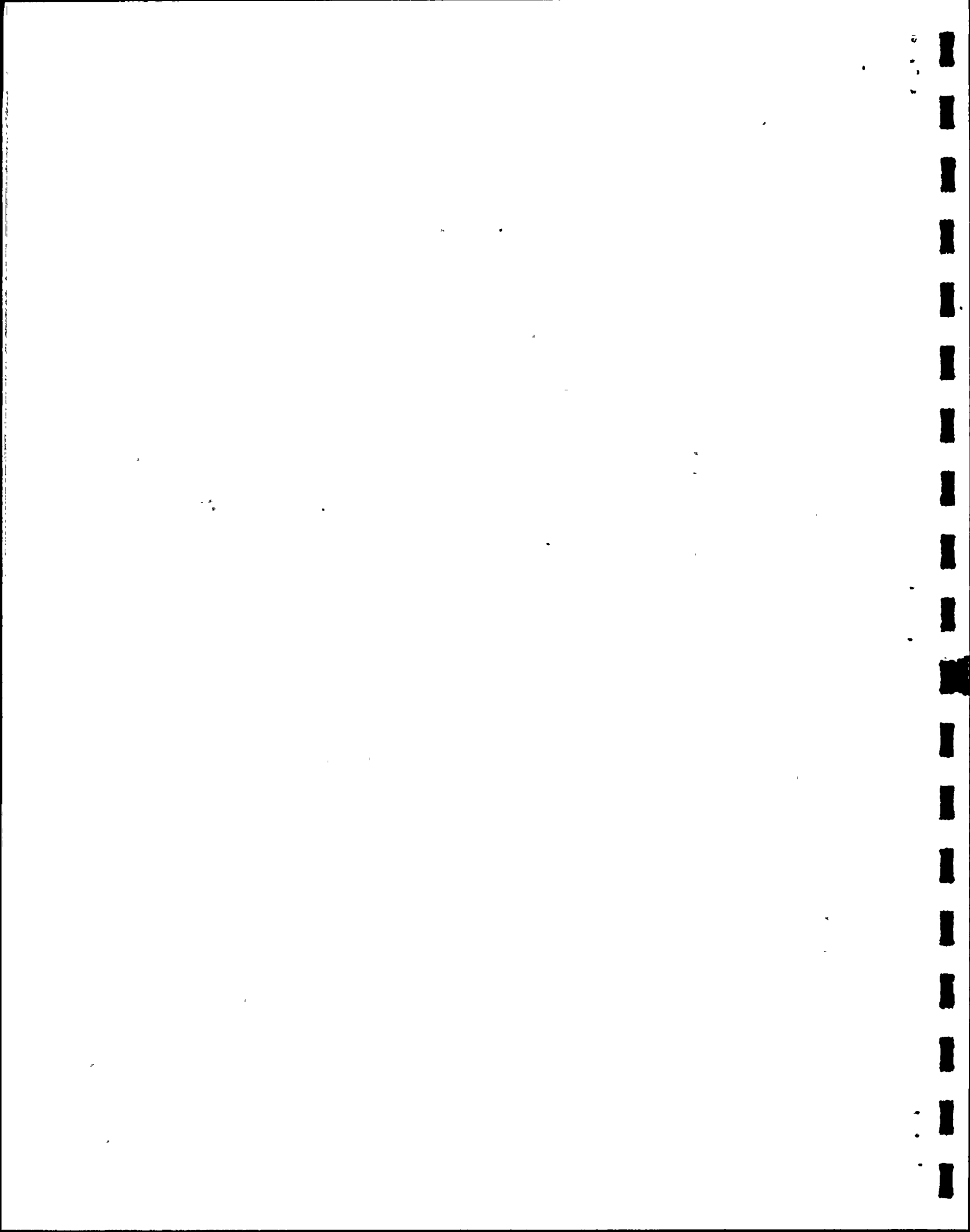
If the Mead-Phoenix Project is terminated for any reason prior to the issuance of long-term bonds to refinance the loan, ten California cities, Salt River Project and the United States Department of Energy, Western Area Power Administration, have contracted to make payments to the Authority based on 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.



NOTE D - Power sales and
transmission service contracts:

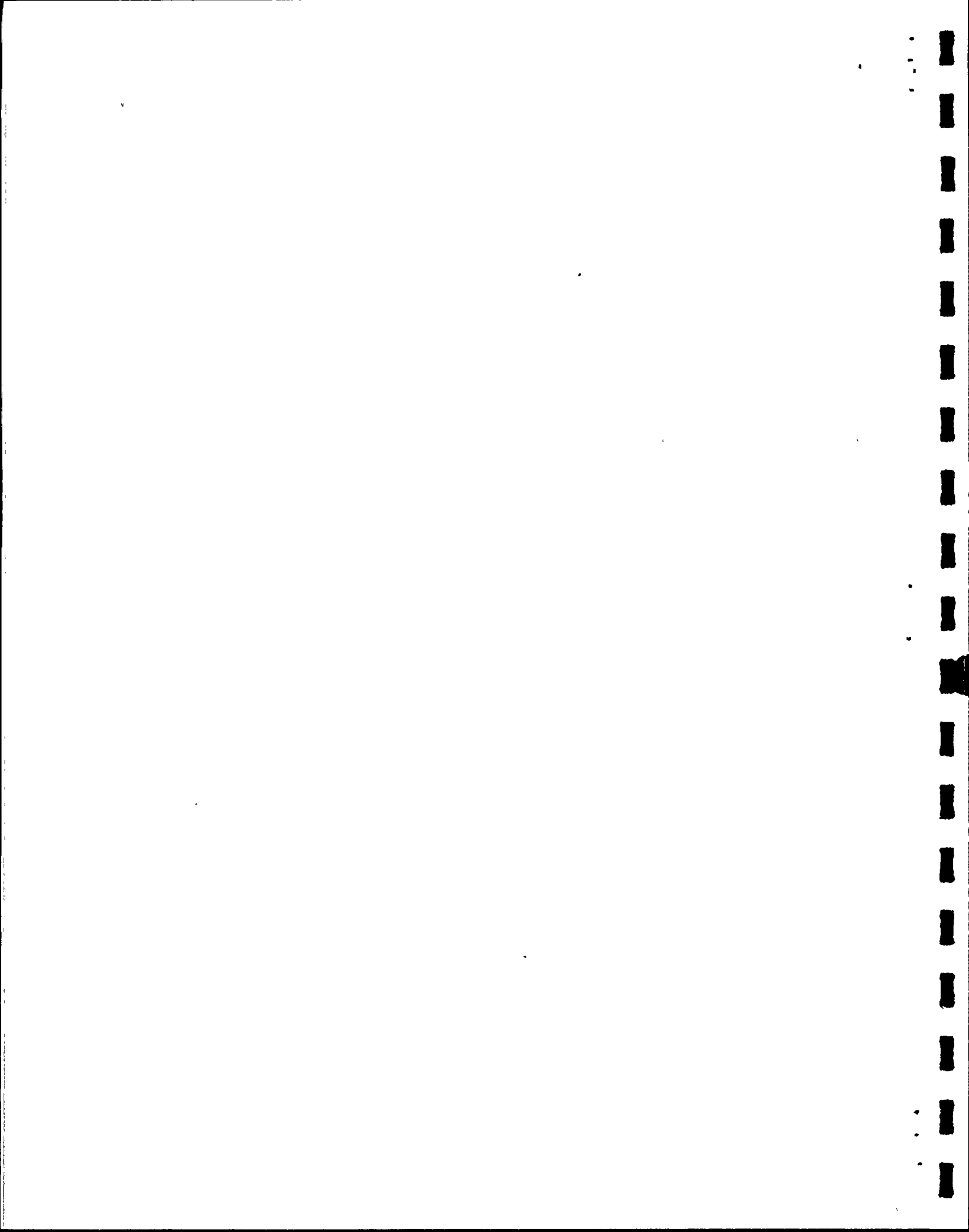
The Authority has sold its entitlement to the output of the Palo Verde Project pursuant to Power Sales Contracts with nine municipalities and a California public district. Under the terms of the power sales contracts, the purchasers are obligated to make payments on a "take or pay" basis for their proportionate share of operating and maintenance expenses and debt service on Power Project Revenue Bonds and other debts, whether or not the Palo Verde Project or any part thereof is operating or operable (or has been completed), 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 of its members (Project Participants). 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 E - 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 (Department) has performed administrative and other work for the Authority totaling \$379,000 and \$317,000 for the years ended June 30, 1985 and 1984. Arizona Public Service Company (APS) as project manager of the Palo Verde Project, billed the Authority for various construction costs \$35,252,000 and \$36,777,000 for the years ended June 30, 1985 and 1984. The Authority has determined that APS has billed \$678,000 in excess of its contractual agreement for fiscal 1985. This amount is included as an account receivable at June 30, 1985. IPA billed the Authority for payments-in-aid of construction relating to the Southern Transmission Project \$321,388,000 and \$194,638,000 for the years ended June 30, 1985 and 1984. The Authority has determined that IPA has billed \$5,997,000 in excess of its contractual agreement for fiscal 1985. This amount is included as an account receivable at June 30, 1985. Salt River Project, as development manager of the Mead-Phoenix Project, billed the Authority for various development costs \$299,000 and \$3,223,000 for the years ended June 30, 1985 and 1984.



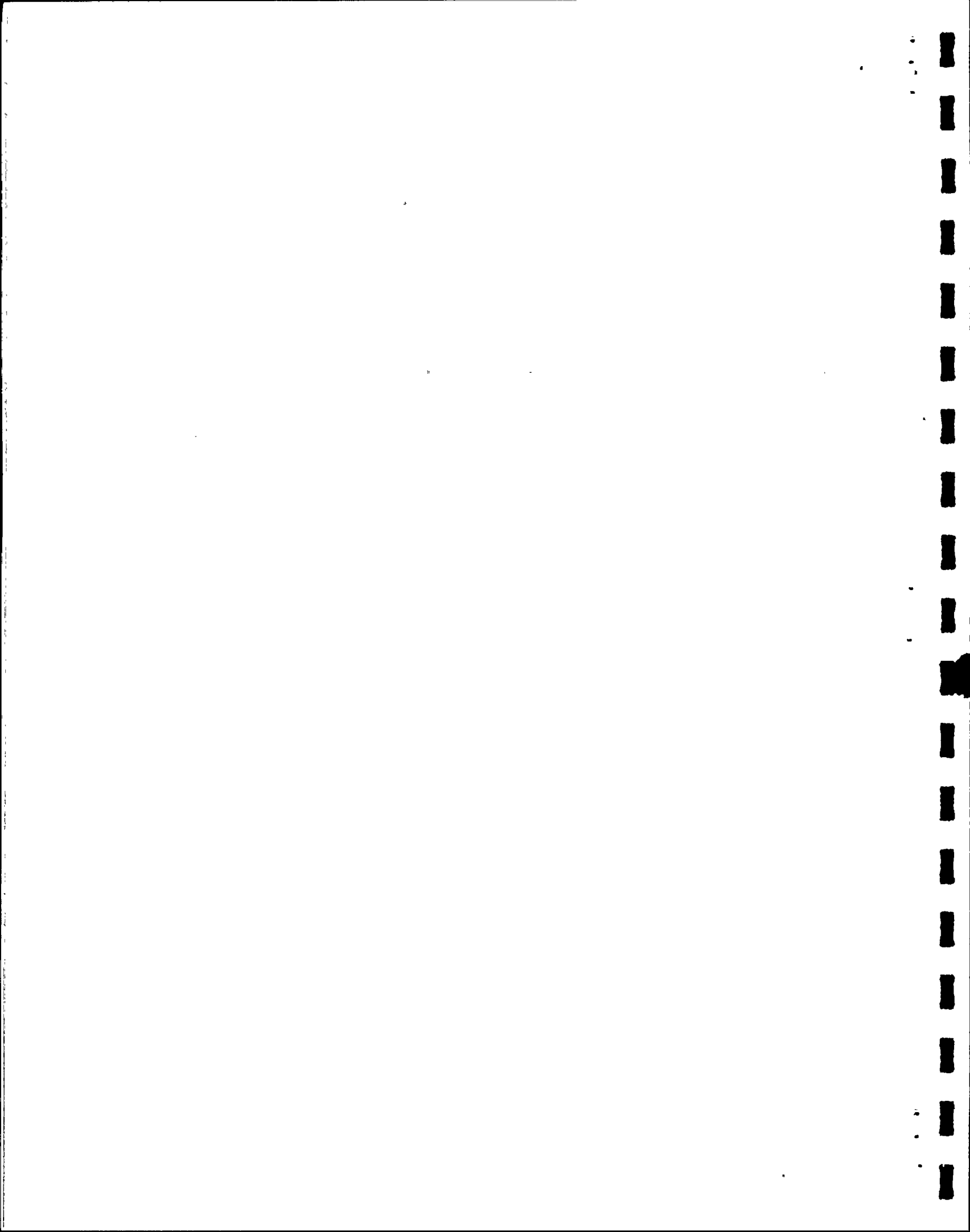
NOTE E - Related party transactions: (Continued)

Project participants involved in the Palo Verde and Southern Transmission projects have participation percentages as follows:

<u>Project Participation Percentage</u>		
<u>Participant</u>	<u>Palo Verde</u>	<u>Southern Transmission</u>
City of Los Angeles	67.0%	59.5%
City of Anaheim	-	17.6%
City of Riverside	5.4%	10.2%
Imperial Irrigation District	6.5%	-
City of Vernon	4.9%	-
City of Azusa	1.0%	-
City of Banning	1.0%	-
City of Colton	1.0%	-
City of Burbank	4.4%	4.5%
City of Glendale	4.4%	2.3%
City of Pasadena	<u>4.4%</u>	<u>5.9%</u>
	<u>100.0%</u>	<u>100.0%</u>

NOTE F - Commitments and contingencies:

The Authority estimated as of May 30, 1985 that the total financing requirements for the Authority's interest in the Palo Verde Project will approximate \$1,020,000,000, of which approximately \$500,000,000 will be expended for construction costs. On December 31, 1984 APS, the project manager, received a 40-year Full-Power Operating License from the Nuclear Regulatory Commission for Unit 1 of the Palo Verde Project. APS loaded nuclear fuel into Unit 1 in January 1985 and achieved initial criticality in May 1985. Commercial operation of Unit 1 has been scheduled for December 1985.



NOTE F - Commitments and contingencies: (Continued)

The Authority estimated as of July 19, 1985 that the total financing requirements for the acquisition of the rights to capacity in the Southern Transmission Project will approximate \$1,070,000,000, of which approximately \$740,000,000 will be expended for payments-in-aid of construction to IPA. The Department, as project manager, has scheduled completion of testing of the Southern Transmission Project for April 1986.

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.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

PALO VERDE PROJECT

SUPPLEMENTAL BALANCE SHEET

ASSETS

June 30,
1985 1984
(In thousands)

Utility plant -		
Construction work in progress	\$499,430	\$412,227
Special funds:		
Investments	368,596	301,100
Interest receivable	14,576	8,621
Cash	254	141
	383,426	309,862
Account receivable	678	
Unamortized debt expenses, less accumulated amortization of \$5,581 and \$3,475 in 1985 and 1984	36,189	18,575
	<u>\$919,723</u>	<u>\$740,664</u>

LIABILITIES

Long-term liabilities:		
Revenue bonds	\$789,014	\$589,694
Bond anticipation notes	75,000	
	<u>864,014</u>	<u>589,694</u>
Current liabilities:		
Bond anticipation notes		112,875
Accrued interest payable	48,708	33,379
Accounts payable and accrued liabilities	7,001	4,716
	55,709	150,970
Commitments and contingencies		
	<u>\$919,723</u>	<u>\$740,664</u>

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

PALO VERDE PROJECT

SUPPLEMENTAL STATEMENT OF CHANGES
IN FINANCIAL POSITION

	<u>Year ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
	<u>(In thousands)</u>	
<u>Financial resources provided by:</u>		
Sale of revenue bonds	\$198,395	
Sale of refunding bond	205,918	
Sale of bond anticipation notes	75,000	\$112,875
Decrease in -		
Cash		1,314
Investments		186,611
Increase in -		
Accrued interest payable	15,329	
Accounts payable and accrued liabilities	2,285	4,191
Other, net	153	222
	<u>\$497,080</u>	<u>\$305,213</u>
<u>Financial resources used for:</u>		
Utility plant - construction work in progress -		
Interest expense	\$ 84,977	\$ 74,850
Generating station	19,765	19,417
Startup and preoperating expenses	17,827	13,452
Nuclear fuel	8,567	2,709
Other	4,644	5,920
Investment earnings	<u>(48,577)</u>	<u>(34,547)</u>
Total utility plant - construction work in progress	87,203	81,801
Payment of Bond Anticipation Notes	112,875	220,000
Deposits to escrow account	205,146	
Increase in -		
Cash	113	
Investments	67,496	
Account receivable	678	
Interest receivable	5,955	2,464
Unamortized debt expenses	17,614	465
Decrease in -		
Accrued interest payable		483
	<u>\$497,080</u>	<u>\$305,213</u>

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

PALO VERDE PROJECT

SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS IN
FUNDS REQUIRED BY THE BOND INDENTURE
FOR THE YEAR ENDED JUNE 30, 1985

	Construction Fund Initial Facilities Account	Debt Service Fund		Note Escrow Fund	Note Fund (in thousands)	Bond Anticipation Note Fund	Bond Escrow Fund	Operating Fund	Reserve and Contingency Fund	Total
	Account	Debt Service Account	Debt Service Reserve Account	Fund						
Balance at June 30, 1984	\$ 80,723	\$136,227	\$69,616	\$ -0-	\$ 38	\$ 7,337	\$ -0-	\$6,014	\$6,001	\$305,956
<u>Additions:</u>										
Bond and note proceeds	240,869		24,000			10,663	203,030			478,562
Bond and note interest received	783	5,697								6,480
Investment earnings	7,794	17,260	11,562	9,145		1,487	79	398	765	48,490
Transfer of investments	(16,022)	10,332	5,690							
Transfer for interest payment				(3,668)	6,668	(3,000)				
Transfer for note payment				(116,875)	116,875					
Transfer of account balance	370				(370)					
Transfer of bond and note proceeds	(230,150)	116,014		111,398			2,738			
Total	3,644	149,303	41,252	-0-	123,173	9,150	205,847	398	765	533,532
<u>Deductions:</u>										
Construction expenditures	39,632									39,632
Interest	296	76,635			13,337					90,268
Payment of bond anticipation notes					112,875					112,875
Financing costs	9,171						5,065			14,236
Transfer of investment earnings	(28,594)	23,582	12,147		(3,001)	4,460	(9,757)	398	765	
Total	20,505	100,217	12,147		123,211	4,460	(4,692)	398	765	257,011
Balance at June 30, 1985	\$ 63,862	\$185,313	\$98,721	\$ -0-	\$ -0-	\$12,027	\$210,539	\$6,014	\$6,001	\$582,477

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 consists of cash and investments at original cost. These balances do not include accrued interest receivable of \$14,576 and \$8,621 at June 30, 1985 and 1984, nor do they include total amortized net investment premiums of (\$3,088) and (\$4,715) at June 30, 1985 and 1984.



SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

SOUTHERN TRANSMISSION PROJECT

SUPPLEMENTAL BALANCE SHEET

ASSETS

	<u>June 30,</u>	
	<u>1985</u>	<u>1984</u>
	<u>(In thousands)</u>	
<u>Utility plant -</u>		
Construction work in progress	\$ 534,176	\$ 197,310
<u>Special funds:</u>		
Investments	561,674	831,208
Interest receivable	11,880	19,211
	573,554	850,419
Account receivable	5,997	
Unamortized debt expenses, less accumulated amortization of \$3,094 and \$942 in 1985 and 1984	22,505	17,627
	<u>\$1,136,232</u>	<u>\$1,065,356</u>

LIABILITIES

<u>Long-term liabilities:</u>		
Revenue bonds	\$ 828,878	\$ 593,864
Bond anticipation notes	200,000	200,000
	<u>1,028,878</u>	<u>793,864</u>
<u>Current liabilities:</u>		
Bond anticipation notes		200,000
Accrued interest payable	49,245	38,688
Accounts payable and accrued liabilities	58,109	32,804
	107,354	271,492
Commitments and contingencies		
	<u>\$1,136,232</u>	<u>\$1,065,356</u>

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

SOUTHERN TRANSMISSION PROJECT

SUPPLEMENTAL STATEMENT OF CHANGES
IN FINANCIAL POSITION

	<u>Year ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
	<u>(In thousands)</u>	
<u>Financial resources provided by:</u>		
Sale of revenue bonds	\$235,000	\$ 593,859
Sale of bond anticipation notes		400,000
Decrease in -		
Investments	269,534	
Interest receivable	7,331	
Increase in -		
Accrued interest payable	10,557	38,688
Accounts payable and accrued liabilities	25,305	32,803
Other, net	14	6
	<u>\$547,741</u>	<u>\$1,065,356</u>
 <u>Financial resources used for:</u>		
Utility plant - construction		
work in progress -		
Payments-in-aid of construction	\$315,391	\$ 194,638
Interest expense	101,305	33,935
Other	2,299	1,079
Investment earnings	(82,129)	(32,342)
Total utility plant - construction work in progress	336,866	197,310
Payment of bond anticipation notes	200,000	
Increase in -		
Investments		831,208
Account receivable	5,997	
Interest receivable		19,211
Unamortized debt expenses	4,878	17,627
	<u>\$547,741</u>	<u>\$1,065,356</u>

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

SOUTHERN TRANSMISSION PROJECT

SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS
IN FUNDS REQUIRED BY THE BOND INDENTURE
FOR THE YEAR ENDED JUNE 30, 1985

	Construction Fund Initial Facilities Account	<u>Debt Service Fund</u>		Note Fund	Note Escrow Fund	Total
		Debt Service Account	Debt Service Reserve Account (In thousands)			
Balance at June 30, 1984	<u>\$567,832</u>	<u>\$147,470</u>	<u>\$60,938</u>	<u>\$52,921</u>	<u>\$ -0-</u>	<u>\$829,161</u>
<u>Additions:</u>						
Bond and note proceeds	207,797		27,203			235,000
Bond and note interest received		3,272				3,272
Investment earnings	52,676	17,002	8,382	5,124	10,407	93,591
Transfer for interest payment	(3,548)	3,548		6,000	(6,000)	
Transfer for note payment	<u>169,754</u>			<u>30,246</u>	<u>(200,000)</u>	
Total	<u>426,679</u>	<u>23,822</u>	<u>35,585</u>	<u>41,370</u>	<u>(195,593)</u>	<u>331,863</u>
<u>Deductions:</u>						
Payments-in-aid of construction and administrative costs paid	295,828					295,828
Payment of note	169,754			30,246		200,000
Interest paid	1,365	67,536		25,672		94,573
Financing costs paid	7,038					7,038
Transfer of investment earnings	<u>215,024</u>	<u>(25,385)</u>	<u>5,954</u>		<u>(195,593)</u>	
Total	<u>689,009</u>	<u>42,151</u>	<u>5,954</u>	<u>55,918</u>	<u>(195,593)</u>	<u>597,439</u>
Balance at June 30, 1985	<u>\$305,502</u>	<u>\$129,141</u>	<u>\$90,569</u>	<u>\$38,373</u>	<u>\$ -0-</u>	<u>\$563,585</u>

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 consists of cash and investments at original cost. These balances do not include accrued interest receivable of \$11,880 and \$19,211 at June 30, 1985 and 1984, nor do they include total amortized net investment premiums and discounts of (\$1,911) and \$2,047 at June 30, 1985 and 1984.

