

(Roll Call Vote)

RESOLUTION NO. 2004-23


RESOLUTION OF THE SOUTHERN CALIFORNIA PUBLIC POWER
AUTHORITY APPROVING THE BUDGET FOR
PALO VERDE PROJECT FOR THE FISCAL YEAR
JULY 1, 2004 THROUGH JUNE 30, 2005

BE IT RESOLVED by the Board of Directors of the Southern California Public Power Authority (the "Authority") that:

1. The budget for the Palo Verde Project for the Fiscal Year July 1, 2004 through June 30, 2005, submitted to this Board of Directors, is hereby approved. The Executive Director is hereby authorized and directed to place the budget so approved in final form, with such changes as shall be necessary or advisable to comply with the Palo Verde Project Bond Indenture and Power Sales Contracts; and the budget hereby approved, in such final form, shall constitute the Authority's Annual Budget for the Palo Verde Project for the Fiscal Year July 1, 2004 through June 30, 2005.


2. This Resolution shall become effective immediately.

THE FOREGOING RESOLUTION is approved and adopted by the Authority, this 20th day of May 2004.



PRESIDENT
Southern California Public
Power Authority

ATTEST:



SECRETARY
Southern California Public
Power Authority

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

PALO VERDE PROJECT

ANNUAL BUDGET

FOR THE FISCAL YEAR

JULY 1, 2004 THROUGH JUNE 30, 2005

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

PALO VERDE NUCLEAR GENERATING STATION

COMPARISON OF BUDGET - FISCAL 2003-2004 TO 2004-2005
(\$000's)

	<u>2003-04</u>	<u>2004-05</u>	Variance	
			\$	%
MINIMUM COST COMPONENT				
Debt Service (net)	\$ 127,135	\$ 14,198	\$ (112,937)	-88.83%
Operation and Maintenance	\$ 16,164	\$ 10,836	\$ (5,328)	-32.96%
APS Administration and General Insurance	\$ 6,792	\$ 7,080	\$ 288	4.24%
Renewals and Replacements	\$ 168	\$ 336	\$ 168	100.00%
Decommissioning	\$ -	\$ 11,916	\$ 11,916	#DIV/0!
Taxes	\$ 8,004	\$ -	\$ (8,004)	-100.00%
Authority A&G	\$ 3,096	\$ 3,600	\$ 504	16.28%
	\$ <u>1,452</u>	\$ <u>1,524</u>	\$ <u>72</u>	<u>4.96%</u>
Subtotal Minimum Cost Component	\$ 162,811	\$ 49,490	\$ (113,321)	-69.60%
VARIABLE COST COMPONENT				
Nuclear Fuel - Direct Costs	\$ 6,372	\$ 6,192	\$ (180)	-2.82%
Nuclear Fuel - Spent Fuel	\$ 2,928	\$ 3,252	\$ 324	11.07%
Debt Service ANPP Trans. (net)	\$ 2,050	\$ 229	\$ (1,821)	-88.83%
Payments to SRP	\$ 180	\$ 96	\$ (84)	-46.67%
Debt Service - PV Switchyard (net)	\$ 187	\$ 21	\$ (166)	-88.77%
PV Switchyard O&M	\$ 96	\$ 72	\$ (24)	-25.00%
Subtotal Variable Cost Component	\$ 11,813	\$ 9,862	\$ (1,951)	-16.52%
Total Cost of Power to the Authority	\$ 174,624	\$ 59,352	\$ (115,272)	-66.01%
Estimated Scheduled Energy (MWH)	1,620,007	1,692,542	72,535	4.48%
Total Average Unit Cost (mills/kWh)	107.8	35.1	(72.7)	-67.47%
Interest Earnings	\$ 4,800	\$ 1,200	\$ (3,600)	-75.00%

EXPLANATION OF VARIANCES

Minimum Cost Component

- 1 Net Debt Service reflects defeasance of all fixed rate bonds, and plan to levelize all remaining debt service.
- 2 Operation and Maintenance reflects APS plans, including increased security. Reduced by \$6.5 million from accumulated overcollections.
- 3 APS A&G increase reflects increased retirement and medical costs, and follows the labor portion of APS A&G.
- 4 Insurance increase reflects actual costs.
- 5 Renewals & Replacements includes steam generator replacement costs for 2005. Previous year budgeted at \$0, to facilitate use of escrow restructuring savings.
- 6 Decommissioning obligations fully funded, per latest estimates.
- 7 Taxes reflects actual history.
- 8 Authority A&G increase reflects higher Agent Billable Overhead.

Variable Cost Component

- 1 Nuclear Fuel Direct Costs stable.
- 2 Nuclear Fuel Spent Fuel Disposal includes dry cask storage costs.
- 3 Debt Service ANPP Transmission reflects fixed rate bonds defeased.
- 4 Payments to SRP reflect historical billings.
- 5 Debt Service PV Switchyard reflects fixed rate bonds defeased.
- 6 PV Switchyard O&M reflects historical billings.
- 7 Interest Earnings decrease reflects low rates and lower reserve balances.

ANNUAL BUDGET
Power Supply Year
July 1, 2004 Through June 30, 2005
Authority Interest in Palo Verde Nuclear Generating Station (1)
(\$000)

		Minimum Cost Component (2)									
		Generating Station									
Month	Net Debt Service (4)(5)	Operation and Maintenance (6)	APS Admin. & General (6)	Insurance (7)	Renewals and Replacements (6)	Additional Decommissioning Reqmt. (8)	Taxes (9)	Auth. A&G Expenses (10)	Subtotal Minimum Cost Component		
Jul	\$1,183	\$903	\$590	\$28	\$993	\$0	\$300	\$127	\$4,124		
Aug	\$1,183	\$903	\$590	\$28	\$993	\$0	\$300	\$127	\$4,124		
Sep	\$1,183	\$903	\$590	\$28	\$993	\$0	\$300	\$127	\$4,124		
Subtotal	\$3,550	\$2,709	\$1,770	\$84	\$2,979	\$0	\$900	\$381	\$12,373		
Oct	\$1,183	\$903	\$590	\$28	\$993	\$0	\$300	\$127	\$4,124		
Nov	\$1,183	\$903	\$590	\$28	\$993	\$0	\$300	\$127	\$4,124		
Dec	\$1,183	\$903	\$590	\$28	\$993	\$0	\$300	\$127	\$4,124		
Subtotal	\$3,550	\$2,709	\$1,770	\$84	\$2,979	\$0	\$900	\$381	\$12,373		
Jan	\$1,183	\$903	\$590	\$28	\$993	\$0	\$300	\$127	\$4,124		
Feb	\$1,183	\$903	\$590	\$28	\$993	\$0	\$300	\$127	\$4,124		
Mar	\$1,183	\$903	\$590	\$28	\$993	\$0	\$300	\$127	\$4,124		
Subtotal	\$3,550	\$2,709	\$1,770	\$84	\$2,979	\$0	\$900	\$381	\$12,373		
Apr	\$1,183	\$903	\$590	\$28	\$993	\$0	\$300	\$127	\$4,124		
May	\$1,183	\$903	\$590	\$28	\$993	\$0	\$300	\$127	\$4,124		
Jun	\$1,183	\$903	\$590	\$28	\$993	\$0	\$300	\$127	\$4,124		
Subtotal	\$3,550	\$2,709	\$1,770	\$84	\$2,979	\$0	\$900	\$381	\$12,373		
Total FY	\$14,198	\$10,836	\$7,080	\$336	\$11,916	\$0	\$3,600	\$1,524	\$49,490		

Power Supply Year
 July 1, 2004 Through June 30, 2005
 Authority Interest in Palo Verde Nuclear Generating Station (1)
 (\$000)

Month	Variable Cost Component (3)														
	Nuclear Fuel (11)			Transmission				Palo Verde Switchyd. O&M and Taxes (14)				Subtotal Variable Cost Component (15)		Estimated Energy to be Scheduled (MWh) (16)	
	Direct Costs	Spent Fuel	Debt Service ANPP Transm. Sys. (4)	Payments to SRP (12)	Debt Service PV Swyd. (13)										
Jul	\$516	\$271	\$19	\$8	\$2	\$6						\$822	\$4,946	153,545	
Aug	\$516	\$271	\$19	\$8	\$2	\$6						822	4,946	153,545	
Sep	\$516	\$271	\$19	\$8	\$2	\$6						822	4,946	148,592	
Subtotal	\$1,548	\$813	\$57	\$24	\$5	\$18						\$2,465	\$14,838	455,682	
Oct	\$516	\$271	\$19	\$8	\$2	\$6						\$822	\$4,946	105,291	
Nov	\$516	\$271	\$19	\$8	\$2	\$6						822	4,946	143,766	
Dec	\$516	\$271	\$19	\$8	\$2	\$6						822	4,946	153,545	
Subtotal	\$1,548	\$813	\$57	\$24	\$5	\$18						\$2,465	\$14,838	402,602	
Jan	\$516	\$271	\$19	\$8	\$2	\$6						\$822	\$4,946	153,545	
Feb	\$516	\$271	\$19	\$8	\$2	\$6						822	4,946	138,685	
Mar	\$516	\$271	\$19	\$8	\$2	\$6						822	4,946	153,545	
Subtotal	\$1,548	\$813	\$57	\$24	\$5	\$18						\$2,465	\$14,838	445,775	
Apr	\$516	\$271	\$19	\$8	\$2	\$6						\$822	\$4,946	98,244	
May	\$516	\$271	\$19	\$8	\$2	\$6						822	4,946	141,647	
Jun	\$516	\$271	\$19	\$8	\$2	\$6						822	4,946	148,592	
Subtotal	\$1,548	\$813	\$57	\$24	\$5	\$18						\$2,465	\$14,838	388,483	
Total FY	\$6,192	\$3,252	\$229	\$96	\$21	\$72						\$9,862	\$59,352	1,692,542	

Footnotes:

- (1) Based on latest approved ANPP Annual Budget for 2004 and estimate for 2005. Authority Operating Expenses include all of the costs shown herein, with the exception of the following: Debt Service, Debt Service ANPP transmission System, and Debt Service Palo Verde Switchyard.
- (2) Establishes the basis for the billing of the minimum cost component of Monthly Power Costs pursuant to Section 5.2, Adoption of Annual Budget, of the Power Sales Contracts with the Project Participants.
- (3) Establishes the rate for billing of the variable cost component of Monthly Power Costs pursuant to Section 5.2, Adoption of Annual Budget, of the Power Sales Contracts with the Project Participants. Such rate of billing is determined by dividing the fiscal year total of the "Subtotal Variable Cost Component" column by the fiscal year total of the "Estimated Energy to be Scheduled" column. The monthly Variable cost Component is determined by multiplying such rate of billing by the actual energy delivered to the Authority at the high voltage bus of the Palo Verde High Voltage Switchyard.
- (4) Interest to be paid from revenues is accrued during the six months prior to each semi-annual payment on July 1 and January 1. Principal is accrued during the twelve months prior to each annual payment on July 1. Also based on transferring 100% of the investment income to the Revenue Fund from the Debt Service Reserve Accounts in the Debt Service Fund, the Reserve Account in the Reserve and Contingency Fund and the Operating Fund.
- (5) Includes 50% of debt service allocated to Palo Verde High Voltage Switchyard. This represents the portion of such debt service attributable to the generation side of the Palo Verde High Voltage Switchyard.
- (6) Based on estimates provided by APS, payroll loads included in A&G only.
- (7) Based on estimates provided by APS. Includes nuclear insurance.
- (8) "Additional Decommissioning Requirement" represents a sinking fund allowance, which was based, in part, on APS' estimate for decommissioning each unit.
- (9) Based on the Authority ad valorem taxes at rates estimated by APS and Salt River Project.
- (10) Based on amounts estimated by Authority.
- (11) Based on estimates provided by APS and ANPP. There are no fixed costs of nuclear fuel to be incurred under Appendix F to the ANPP Participation Agreement, dated August 23, 1973, as amended, which are not to be funded out of bond proceeds. (See Section 4.32.1.4 of the Power Sales contracts with the Project Participants.) The debt service on these bonds is included under the Minimum Cost Component.
- (12) Based on Amendment No. 1 to the Authority's Transmission Agreement with SRP, dated as of August 25, 1982. Includes Taxes, O&M, Dispatch and Wheeling.
- (13) 50% of debt service allocated to Palo Verde High Voltage Switchyard. This represents the portion of such debt service attributable to the transmission side of the Palo Verde High Voltage Switchyard.
- (14) Based on estimates provided by SRP.
- (15) Sum of Minimum Cost Component and Variable Cost Component.
- (16) At the high voltage bus of the Palo Verde High Voltage Switchyard. Computed as the Authority's share of estimated total generation at the Project

ANNUAL BUDGET

Power Supply Year
 July 1, 2004 Through June 30, 2005
 Authority Interest in Palo Verde Nuclear Generating Station (1)
 (\$000)

07-May-04

Month	Revenues (*)			Revenue Fund Disbursements							Total Revenue Fund Disbursements
	Minimum Cost Component	Variable Ccst Component	Interest Earnings	Operating Fund	Acquisition of Fuel Reserve	Debt Service Account	Debt Service Reserve Account	Renewal & Replacement Account	Decommissioning Account	General Reserve Fund (**)	
Jul	\$4,124	\$822	\$100	\$2,233	\$516	\$0	\$0	\$993	\$0	\$1,304	\$5,046
Aug	4,124	822	100	2,233	516	0	0	993	0	1,304	5,046
Sep	4,124	822	100	2,233	516	0	0	993	0	1,304	5,046
Subtotal	\$12,373	\$2,465	\$300	\$6,699	\$1,548	\$0	\$0	\$2,979	\$0	\$3,912	\$15,138
Oct	\$4,124	\$822	\$100	\$2,233	\$516	\$0	\$0	\$993	\$0	\$1,304	\$5,046
Nov	4,124	822	100	2,233	516	0	0	993	0	1,304	5,046
Dec	4,124	822	100	2,233	516	0	0	993	0	1,304	5,046
Subtotal	\$12,373	\$2,465	\$300	\$6,699	\$1,548	\$0	\$0	\$2,979	\$0	\$3,912	\$15,138
Jan	\$4,124	\$822	\$100	\$2,233	\$516	\$0	\$0	\$993	\$0	\$1,304	\$5,046
Feb	4,124	822	100	2,233	516	0	0	993	0	1,304	5,046
Mar	4,124	822	100	2,233	516	0	0	993	0	1,304	5,046
Subtotal	\$12,373	\$2,465	\$300	\$6,699	\$1,548	\$0	\$0	\$2,979	\$0	\$3,912	\$15,138
Apr	\$4,124	\$822	\$100	\$2,233	\$516	\$0	\$0	\$993	\$0	\$1,304	\$5,046
May	4,124	822	100	2,233	516	0	0	993	0	1,304	5,046
Jun	4,124	822	100	2,233	516	0	0	993	0	1,304	5,046
Subtotal	\$12,373	\$2,465	\$300	\$6,699	\$1,548	\$0	\$0	\$2,979	\$0	\$3,912	\$15,138
Total FY	\$49,480	\$9,862	\$1,200	\$26,796	\$6,192	\$0	\$0	\$11,916	\$0	\$15,648	\$60,552

(*) To be deposited in the Revenue Fund.