

RESOLUTION NO. 2000-36

RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY (I) AUTHORIZING THE EXECUTION AND DELIVERY OF A FINANCIAL GUARANTY AGREEMENT BETWEEN THE AUTHORITY AND MBIA INSURANCE CORPORATION, (II) AUTHORIZING THE EXECUTION AND DELIVERY OF A SECOND SUPPLEMENTAL INDENTURE OF TRUST AMENDING THE SAN JUAN INDENTURE, (III) APPROVING A REVISED ANNUAL BUDGET FOR THE SAN JUAN PROJECT AND (IV) AUTHORIZING THE OFFICERS OF THE AUTHORITY TO DO ALL THINGS DEEMED NECESSARY OR DESIRABLE

WHEREAS, the Southern California Public Power Authority (the "Authority") has heretofore entered into an Indenture of Trust, dated as of January 1, 1993, relating to the San Juan Project (as supplemented, the "San Juan Indenture"); and

WHEREAS, the San Juan Indenture provides for the substitution of a Debt Service Reserve Account Policy (as defined in the San Juan Indenture) for moneys in the Debt Service Reserve Account of the San Juan Indenture (the "Substitution"); and

WHEREAS, the participants in the San Juan Project desire to proceed with the Substitution as one of the methods by which the participants in the San Juan Project will remain competitive during the deregulation of the electric utility business in California; and

WHEREAS, MBIA Insurance Corporation has agreed to provide a Debt Service Reserve Account Policy in order to effect the Substitution; and

WHEREAS, the San Juan Indenture will need to be amended in connection with the Substitution; and

WHEREAS, the fiscal year 2000-01 Annual Budget for the San Juan Project will need to be amended in connection with the Substitution in order to provide for the prompt use of the moneys to be released from the Debt Service Reserve Account of the San Juan Indenture.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

1. Each of the President, Vice President and Executive Director of the Authority is hereby authorized and directed to execute and deliver a Financial Guaranty Agreement relating to the Substitution between the Authority and MBIA Insurance Corporation, in substantially the form attached hereto as Exhibit A, with such changes, insertions and omissions as shall be approved by said President, Vice President or Executive Director (such approval to be conclusively evidenced by his execution and delivery thereof).

2. Each of the President or Vice President of the Authority is hereby authorized and directed to execute and deliver the Second Supplemental Indenture of Trust, amending the San Juan Indenture, between the Authority and U.S. Bank Trust National Association, as trustee, in substantially the form attached hereto as Exhibit B, with such changes, insertions and omissions as shall be approved by said President or Vice President (such approval to be conclusively evidenced by his execution and delivery thereof), and each of the Secretary and any Assistant Secretary is hereby authorized to affix the seal of the Authority thereto.

3. The Board of Directors of the Authority hereby approves the revised fiscal year 2000-01 Annual Budget for the San Juan Project, in the form attached hereto as Exhibit C (the "Revised Annual Budget"), with such Revised Annual Budget to become effective upon the completion of the Substitution.

4. The Board of Directors of the Authority hereby directs that upon the completion of the Substitution, all moneys on deposit in the Debt Service Reserve Account of the San Juan Indenture shall be transferred to the General Reserve Fund of the San Juan Indenture and applied to pay costs relating to the Substitution and to pay debt service on the San Juan Project Bonds outstanding under the San Juan Indenture as same becomes due and payable.

5. Each of the President, Vice President, Secretary, any Assistant Secretary, the Executive Director and any other officer of the Authority is hereby authorized and directed to execute and deliver any and all instruments and documents and to do and cause to be done any and all acts and things necessary or desirable for carrying out the matters and transactions contemplated by this Resolution.

6. This Resolution shall become effective immediately.

THE FOREGOING RESOLUTION is approved and adopted by the Authority this 21st day of December, 2000.



PRESIDENT
Southern California Public Power Authority

ATTEST:



ASSISTANT SECRETARY
Southern California Public Power Authority

FINANCIAL GUARANTY AGREEMENT

FINANCIAL GUARANTY AGREEMENT made as of January 4, 2001, by and between Southern California Public Power Authority (the "Issuer") and MBIA Insurance Corporation (the "Insurer"), organized under the laws of the state of New York.

WITNESSETH:

WHEREAS, the Issuer has or will issue the Obligations; and

WHEREAS, pursuant to the terms of the Document the Issuer agrees to make certain payments on the Obligations; and

WHEREAS, the Insurer will issue its Surety Bond, substantially in the form set forth in Annex A to this Agreement, guaranteeing certain payments by the Issuer subject to the terms and limitations of the Surety Bond; and

WHEREAS, to induce the Insurer to issue the Surety Bond, the Issuer has agreed to pay the premium for the Surety Bond and to reimburse the Insurer for all payments made by the Insurer under the Surety Bond, all as more fully set forth in this Agreement; and

WHEREAS, the Issuer understands that the Insurer expressly requires the delivery of this Agreement as part of the consideration for the execution by the Insurer of the Surety Bond; and

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Surety Bond, the Issuer and the Insurer agree as follows:

ARTICLE I DEFINITIONS; SURETY BOND

Section 1.01. Definitions. The terms which are capitalized herein shall have the meanings specified in Annex B hereto.

Section 1.02. Surety Bond.

(a) The Insurer will issue the Surety Bond in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of the Insurer under the Surety Bond and the coverage and term thereof shall be subject to and limited by the terms and conditions of the Surety Bond.

Section 1.03. Premium. In consideration of the Insurer agreeing to issue the Surety Bond hereunder, the Issuer hereby agrees to pay or cause to be paid the Premium set forth in Annex B hereto. The Premium on the Surety Bond is not refundable for any reason.

Section 1.04. Certain Other Expenses. The Issuer will pay all reasonable fees and disbursements of the Insurer's special counsel related to any modification of this Agreement or the Surety Bond.

ARTICLE II REIMBURSEMENT AND INDEMNIFICATION OBLIGATIONS OF ISSUER AND SECURITY THEREFOR

Section 2.01. Reimbursement for Payments Under the Surety Bond and Expenses; Indemnification.

(a) The Issuer will reimburse the Insurer, within the Reimbursement Period, without demand or notice by the Insurer to the Issuer or any other person, to the extent of each Surety Bond Payment with interest on each Surety Bond Payment from and including the date made to the date of the reimbursement at the lesser of the Reimbursement Rate or the maximum rate of interest permitted by then applicable law.

(b) The Issuer also agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by state law, for all reasonable expenses incurred by the Insurer in connection with the Surety Bond and the enforcement by the Insurer of the Issuer's obligations under this Agreement, the Document, and any other document executed in connection with the issuance of the Obligations, together with interest on all such expenses from and including the date incurred to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

(c) The Issuer agrees to indemnify the Insurer, to the extent permitted by state law, against any and all liability, claims, loss, costs, damages, fees of attorneys and other expenses which the Insurer may sustain or incur by reason of or in consequence of (i) the failure of the Issuer to perform or comply with the covenants or conditions of this Agreement or (ii) reliance by the Insurer upon representations made by the Issuer or (iii) a default by the Issuer under the terms of the Document or any other documents executed in connection with the issuance of the Obligations.

(d) The Issuer agrees that all amounts owing to the Insurer pursuant to Section 1.03 hereof and this Section 2.01 must be paid in full prior to any optional redemption or refunding of the Obligations.

(e) All payments made to the Insurer under this Agreement shall be paid in lawful currency of the United States in immediately available funds at the Insurer's office at 113 King Street, Armonk, New York 10504, Attention: Accounting and Insured Portfolio Management Departments, or at such other place as shall be designated by the Insurer.

Section 2.02. Allocation of Payments. The Insurer and the Issuer hereby agree that each payment received by the Insurer from or on behalf of the Issuer as a reimbursement to the Insurer as required by Section 2.01 hereof shall be applied by the Insurer first, toward payment of any unpaid premium; second, toward repayment of the aggregate Surety Bond Payments made by the Insurer and not yet repaid, payment of which will reinstate all or a portion of the Surety Bond Coverage to the extent of such repayment (but not to exceed the Surety Bond Limit); and third, upon full reinstatement of the Surety Bond Coverage to the Surety Bond Limit, toward other amounts, including, without limitation, any interest payable with respect to any Surety Bond Payments then due to the Insurer.

Section 2.03. Security for Payments; Instruments of Further Assurance. To the extent, but only to the extent, that the Document, or any related indenture, trust agreement, ordinance, resolution, mortgage, security agreement or similar instrument, if any, pledges to the Owners or any trustee therefor, or grants a security interest or lien in or on any collateral, property, revenue or other payments ("Collateral and Revenues") in order to secure the Obligations or provide a source of payment for the Obligations, the Issuer hereby grants to the Insurer a security interest in or lien on, as the case may be, and pledges to the Insurer all such Collateral and Revenues as security for payment of all amounts due hereunder and under the Document or any other document executed in connection with the issuance of the Obligations, which security interest, lien and/or pledge created or granted under this Section 2.03 shall be subordinate only to the interests of the Owners and any trustee therefor in such Collateral and Revenues, except as otherwise provided. The Issuer agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all financing statements, if applicable, and all other further instruments as may be required by law or as shall reasonably be requested by the Insurer for the perfection of the security interest, if any, granted under this Section 2.03 and for the preservation and protection of all rights of the Insurer under this Section 2.03.

Section 2.04. Unconditional Obligation. The obligations hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, subject to the limitations of the Document, irrespective of:

(a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or

(b) any exchange, release or nonperfection of any security interest in property securing the Obligations or this Agreement or any obligations hereunder; or

(c) any circumstances that might otherwise constitute a defense available to, or discharge of, the Issuer with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or

(d) whether or not such obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

Section 2.05. Insurer's Rights. The Issuer shall repay the Insurer to the extent of payments made and expenses incurred by the Insurer in connection with the Obligations and this Agreement. The obligation of the Issuer to repay such amounts shall be subordinate only to the rights of the Owners to receive regularly scheduled principal and interest on the Obligations.

Section 2.06. On-Going Information Obligations of Issuer.

(a) Quarterly Reports. The Issuer will provide to the Insurer within 45 days of the close of each quarter interim financial statements covering all fund balances under the Document, a statement of operations (income statement), balance sheet and changes in fund balances. These statements need not be audited by an independent certified public accountant, but if any audited statements are produced, they must be provided to the Insurer;

(b) Annual Reports. The Issuer will provide to the Insurer annual financial statements audited by an independent certified public accountant within 90 days of the end of each fiscal year;

(c) Access to Facilities, Books and Records. The Issuer will grant the Insurer reasonable access to the project financed by the Obligations and will make available to the Insurer, at reasonable times and upon reasonable notice all books and records relative to the project financed by the Obligations; and

(d) Compliance Certificate. On an annual basis the Issuer will provide to the Insurer a certificate confirming compliance with all covenants and obligations hereunder and under the Revenue Agreement, the Document or any other document executed in connection with the issuance of the Obligations.

ARTICLE III AMENDMENTS TO DOCUMENT

So long as this Agreement is in effect, the Issuer agrees that it will not agree to amend the Document or any other document executed in connection with the issuance of the Obligations, without the prior written consent of the Insurer (which consent shall not be unreasonably withheld).

ARTICLE IV EVENTS OF DEFAULT; REMEDIES

Section 4.01. Events of Default. The following events shall constitute Events of Default hereunder:

(a) The Issuer shall fail to pay to the Insurer when due any amount payable under Sections 1.03; or

(b) The Issuer shall fail to pay to the Insurer any amount payable under Sections 1.04 and 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period; or

(c) Any material representation or warranty made by the Issuer under the Document or hereunder or any statement in the application for the Surety Bond or any report, certificate, financial statement, document or other instrument provided in connection with the Commitment, the Surety Bond, the Obligations, or herewith shall have been materially false at the time when made; or

(d) Except as otherwise provided in this Section 4.01, the Issuer shall fail to perform any of its other obligations under the Document, or any other document executed in connection with the issuance of the Obligations, or hereunder, provided that such failure continues for more than 30 days after receipt by the Issuer of written notice of such failure to perform; or

(e) The Issuer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(f) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Issuer, or of a substantial part of its property, under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Issuer or for a substantial part of its property; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days.

Section 4.02. Remedies. If an Event of Default shall occur and be continuing, then the Insurer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance of any obligation of the Issuer to the Insurer under the Document or any related instrument, and any obligation, agreement or covenant of the Issuer under this Agreement; provided, however, that the Insurer may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. In addition, if an Event of Default shall occur due to the failure to pay to the Insurer the amounts due under Section 1.03 hereof, the Insurer shall have the right to cancel the Surety Bond in accordance with its terms. All rights and remedies of the Insurer under this Section 4.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

ARTICLE V SETTLEMENT

The Insurer shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against the Insurer, the Issuer or any other party on the Surety Bond shall or shall not be paid, compromised, resisted, defended, tried or appealed, and the Insurer's decision thereon, if made in good faith, shall be final and binding upon the Insurer, the Issuer and any other party on the Surety Bond. An itemized statement of payments made by the Insurer, certified by an officer of the Insurer, or the voucher or vouchers for such payments, shall be prima facie evidence of the liability of the Issuer, and if the Issuer fails to immediately reimburse the Insurer upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by the Insurer at the rate set forth in subsection (a) of Section 2.01 hereof.

ARTICLE VI MISCELLANEOUS

Section 6.01. Interest Computations. All computations of interest due hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 6.02. Exercise of Rights. No failure or delay on the part of the Insurer to exercise any right, power or privilege under this Agreement and no course of dealing between the Insurer and the Issuer or any other party shall operate as a waiver of any such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Insurer would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 6.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Issuer and the Insurer. The Issuer hereby agrees that upon the written request of the Paying Agent, the Insurer may make or consent to issue any substitute for the Surety Bond to cure any ambiguity or formal defect or omission in the Surety Bond which does not materially change the terms of the Surety Bond nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted surety bond. The Insurer agrees to deliver to the Issuer and to the company or companies, if any, rating the Obligations, a copy of such substituted surety bond.

Section 6.04. Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Issuer and the Insurer and their respective successors and assigns; provided, that the Issuer may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of the Insurer.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 6.05. Other Sureties. If the Insurer shall procure any other surety to reinsure the Surety Bond, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Issuer to enforce this Agreement, and "the Insurer," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 6.06. Signature on Bond. The Issuer's liability shall not be affected by its failure to sign the Surety Bond nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 6.07. Waiver. The Issuer waives any defense that this Agreement was executed subsequent to the date of the Surety Bond, admitting and covenanting that such Surety Bond was executed pursuant to the Issuer's request and in reliance on the Issuer's promise to execute this Agreement.

Section 6.08. Notices, Requests, Demands. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as any of the parties may hereafter specify in writing to the others:

If to the Issuer:

Southern California Public Power Authority
225 South Lake Avenue
Suite 1410
Pasadena, California 91101
Attention: Executive Director

If to the Paying Agent:

U.S. Bank Trust National Association
550 South Hope Street, Suite 500
Los Angeles, California 90071
Attention: Corporate Trust Officer

If to the Insurer:

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: Insured Portfolio Management Group

Section 6.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Surety Bond.

Section 6.10. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Section 6.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Issuer and the Insurer.

Section 6.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 6.13. Survival of Obligations. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the Issuer to pay all amounts due hereunder and the rights of the Insurer to pursue all remedies shall survive the expiration, termination or substitution of the Surety Bond and this Agreement.


IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

Southern California Public Power Authority

By: _____

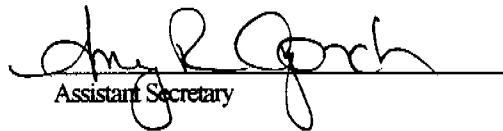
Title: _____

MBIA Insurance Corporation



President

Attest:


Assistant Secretary

ANNEX A
SURETY BOND

**DEBT SERVICE RESERVE
SURETY BOND**

**MBIA Insurance Corporation
Armonk, New York 10504**

Surety Bond No. XXXXXXX

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of [NAME OF ISSUER] (the "Issuer") under the [TITLE OF THE DOCUMENT] (the "Document") to [NAME OF PAYING AGENT], (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of [TITLE OF THE OBLIGATIONS] (the "Obligations"), [IF PARITY " together with any bonds issued on a parity therewith."], provided, that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed [a: FIXED COVERAGE [Dollar Amount of Coverage] or the [Debt Service Reserve Fund Requirement] (as defined in the Document) for the Obligations, whichever is less (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.] or [b: VARIABLE COVERAGE the annual amount set forth for the applicable bond year on Exhibit A attached hereto (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.]

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, TWX or telegram of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the [ISSUER OR OBLIGOR] (the "Financial Guaranty Agreement"); provided, [ANNUAL PREMIUM OPTION: that no premium is due and unpaid on this Surety Bond and] that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire [ANNUAL PREMIUM OPTION: unless cancelled pursuant to paragraph 9 hereof,] on the earlier of (i) [MATURITY DATE] (the maturity date of the Obligations being currently issued), or (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. This Surety Bond shall be governed by and interpreted under the laws of the State of New York. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within one year after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

[NOS. 9 and 11 are OPTIONAL]

9. Subject to the terms of the Document, the Issuer shall have the right, upon 30 days prior written notice to the Insurer and the Paying Agent, to terminate this Surety Bond. In the event of a failure by the Issuer to pay the premium due on this Surety Bond pursuant to the terms of the Financial Guaranty Agreement, the Insurer shall have the right upon [No. of days] days prior written notice to the Issuer and the Paying Agent to cancel this Surety Bond. No Demand for Payment shall be made subsequent to such notice of cancellation unless payments are due but shall not have been so paid in connection with the Obligations.

10. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this [DATE] day of [MONTH, YEAR]

COUNTERSIGNED:

MBIA Insurance Corporation

Resident Licensed Agent

President

City, State

Attest:

Assistant Secretary

ANNEX B
DEFINITIONS

For all purposes of this Agreement and the Surety Bond, except as otherwise expressly provided herein or unless the context otherwise requires, all capitalized terms shall have the meaning as set out below, which shall be equally applicable to both the singular and plural forms of such terms.

"Agreement" means this Financial Guaranty Agreement.

"Closing Date" means January 4, 2001.

"Commitment" means the commitment to issue Municipal Bond Guaranty Insurance in the form attached hereto as Annex C.

"Debt Service Payments" means those payments required to be made by or on behalf of the Issuer which will be applied to payment of principal of and interest on the Obligations.

"Demand for Payment" means the certificate submitted to the Insurer for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment I.

"Document" means Second Supplemental Indenture of Trust.

"Event of Default" shall mean those events of default set forth in Section 4.01 of the Agreement.

"Insurer" has the same meaning as set forth in the first paragraph of this Agreement.

"Issuer" means Southern California Public Power Authority.

"Obligations" means San Juan Power Project Revenue Bonds, 1993 Series A (San Juan Unit 3).

"Owners" means the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer or any designee of the Issuer for such purpose.

"Paying Agent" means U.S. Bank Trust National Association.

"Premium" means \$351,000 payable to the Insurer on or prior to the Closing Date.

"Reimbursement Period" means, with respect to a particular Surety Bond Payment, the period commencing on the date of such Surety Bond Payment and ending on the earlier of the date of cancellation of the Surety Bond due to nonpayment of Premium when due or on the expiration of twelve months following such Surety Bond Payment.

"Reimbursement Rate" means Citibank's prime rate plus three (3) percent per annum, as of the date of such Surety Bond Payment, said "prime rate" being the rate of interest announced from time to time by Citibank, N.A., New York, New York, as its prime rate. The rate of interest shall be calculated on the basis of the actual number of days elapsed over a 360-day year.

"State" means California.

"Surety Bond" means that surety bond attached hereto as Annex A and issued by the Insurer guaranteeing, subject to the terms and limitations thereof, Debt Service Payments required to be made by the Issuer under the Document.

"Surety Bond Coverage" means the amount available at any particular time to be paid under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

"Surety Bond Limit" means \$18,025,000.

"Surety Bond Payment" means an amount equal to the Debt Service Payment required to be made by the Issuer pursuant to the Document less (i) that portion of the Debt Service Payment paid by or on behalf of the Issuer, and (ii) other funds legally available for payment to the Owners, all as certified in a Demand for Payment.

ANNEX C
COMMITMENT

**REVISED AS OF NOVEMBER 30, 2000
COMMITMENT TO ISSUE A
DEBT SERVICE RESERVE SURETY BOND**

Application No.: 2000-005644-01

Sale Date: December 22, 2000

Program Type: Negotiated DP

RE: \$18,025,500 Debt Service Reserve Fund for the San Juan Project, Series 1993 Bonds
(San Juan Unit 3)
(the "Obligations")

This commitment to issue a debt service reserve surety bond (the "Commitment") constitutes an agreement between SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY (the "Applicant") and MBIA Insurance Corporation (the "Insurer"), a stock insurance company incorporated under the laws of the State of New York.


Based on an approved application dated October 20, 2000, the Insurer agrees, upon satisfaction of the conditions herein, to issue within 120 days of said approval date, a debt service reserve surety bond (the "Surety Bond"), for the Obligations, guaranteeing the payment to the issuer of up to \$18,025,500 on the Obligations. The issuance of the Surety Bond shall be subject to the following terms and conditions:

1. Payment by the Applicant, or by the Trustee on behalf of the Applicant, on the date of delivery of the Surety Bond, of a nonrefundable premium in the amount of \$351,000 [1.95% (premium rate) of \$18,025,000 (total surety amount), premium rounded to the nearest thousand]. The premium set out in this paragraph shall be the total premium required to be paid on the Surety Bond issued pursuant to this Commitment.
2. There shall have been no material adverse change in the Obligations or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Obligations.
3. There shall have been no material adverse change in any information submitted to the Insurer as a part of the Application or subsequently submitted to be a part of the Application to the Insurer.
4. Prior to the delivery of the Surety Bond, none of the information or documents submitted as a part of the Application to the Insurer shall be determined to contain any untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.
5. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of the Surety Bond.

6. This Commitment may be signed in counterpart by the parties hereto.

Dated this 30th day of November, 2000.

MBIA Insurance Corporation

By: 
Assistant Secretary

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: 
Title: Executive Director

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

to

U.S. BANK TRUST NATIONAL ASSOCIATION

as Trustee

SECOND SUPPLEMENTAL INDENTURE OF TRUST

Dated as of December 1, 2000

**San Juan Power Project Revenue Bonds,
1993 Series A**

SECOND SUPPLEMENTAL INDENTURE OF TRUST

THIS SECOND SUPPLEMENTAL INDENTURE OF TRUST (the “Second Supplemental Indenture of Trust”), dated as of December 1, 2000, from Southern California Public Power Authority, established under the laws of the State of California (the “Authority”), to U.S. Bank Trust National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character herein set forth, with its principal office located at 550 South Hope Street, Suite 500, Los Angeles, California 90071, as successor trustee (the “Trustee”);

WITNESSETH:

WHEREAS, the Authority has heretofore entered into an Indenture of Trust, dated as of June 1, 1993 (the “Original Indenture of Trust”), from the Authority to the Trustee, which together with the First Supplemental Indenture of Trust, dated as of January 1, 1993, by and between the Authority and the Trustee (the “First Supplemental Indenture of Trust”), and this Second Supplemental Indenture of Trust, are referred to collectively as the “Indenture of Trust”; and

WHEREAS, Section 302(e) of the First Supplemental Indenture of Trust provides that upon the satisfaction of certain conditions, the Authority may substitute amounts held in the 1993 Debt Service Reserve Account in the 1993 Debt Service Account (as defined in the First Supplemental Indenture of Trust) in the Debt Service Fund (as defined in the Original Indenture of Trust) for a Debt Service Reserve Account Policy (as defined in the First Supplemental Indenture of Trust); and

WHEREAS, on May 15, 1997, the Board of Directors of the Authority adopted Board Resolution No. 1997-12 pursuant to which the Board of Directors authorized the substitution of amounts held in the 1993 Debt Service Reserve Account for a Debt Service Reserve Account Policy; and

WHEREAS, the participants in the Authority’s San Juan Unit 3 project (the “Project”) have requested that the Authority now proceed with such a substitution; and

WHEREAS, MBIA Insurance Corporation has agreed to provide a Debt Service Reserve Account Policy to allow for such a substitution; and

WHEREAS, the Authority desires to amend the Indenture of Trust to facilitate such a substitution; and

WHEREAS, upon this Second Supplemental Indenture of Trust becoming effective, the investment securities held in the 1993 Debt Service Reserve Account will be sold, and the proceeds of sale, together with any cash in the 1993 Debt Service Reserve Account, will be transferred to the General Reserve Fund under the Indenture of Trust and used to reduce Monthly Power Costs of the participants in the Project under the Power Sales Contracts (as such terms are defined in the Original Indenture of Trust) and to pay costs incurred in connection with

the substitution of amounts held in the 1993 Debt Service Reserve Account for the Debt Service Reserve Account Policy; and

WHEREAS, the Board of Directors of the Authority hereby finds and determines that the amendments to the Indenture of Trust provided for in this Second Supplemental Indenture of Trust will result in significant public benefits and that such amendments will be advantageous to all of the participants in the Project; and

WHEREAS, the Authority hereby finds and determines that all acts and things have been done and performed which are necessary to make this Second Supplemental Indenture of Trust a valid and binding agreement and supplement to the Indenture of Trust as heretofore supplemented;

NOW, THEREFORE, KNOW ALL BY THESE PRESENTS, THIS SECOND SUPPLEMENTAL INDENTURE OF TRUST WITNESSETH:

That, in consideration of the premises, it is agreed by and between the Authority and the Trustee as follows:

ARTICLE I

AUTHORITY AND AMENDMENTS

101. Supplemental Indenture. This Second Supplemental Indenture of Trust is amendatory to the Indenture of Trust as heretofore supplemented.

102. Authority for this Second Supplemental Indenture of Trust. This Second Supplemental Indenture of Trust is entered into pursuant to the provisions of the Act (as defined in the Indenture of Trust as heretofore supplemented), and the Authority has determined that this Second Supplemental Indenture of Trust may be entered into pursuant to Article X of the Indenture of Trust as heretofore supplemented.

103. Definitions. Except as provided by this Second Supplemental Indenture of Trust, all terms that are defined in Section 101 of the Original Indenture of Trust and Section 103 of the First Supplemental Indenture of Trust shall have the same meanings in this Second Supplemental Indenture of Trust as such terms are given in such Section 101 and Section 103, as applicable.

ARTICLE II

AMENDMENTS TO THE INDENTURE OF TRUST

201. Amendments to the Indenture of Trust. The following amendments to the Indenture of Trust as heretofore supplemented, which amendments are consented to by the Trustee pursuant to clause "(ii)" of Section 1002 of the Indenture of Trust as heretofore supplemented, shall become effective upon the effectiveness of this Second Supplemental Indenture of Trust:

(a) Addition of Definition to Section 103 of the First Supplemental Indenture of Trust. The following definition shall be added to Section 103 of the First Supplemental Indenture of Trust:

1993 Reserve Account Policy shall mean the surety bond issued by MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York guaranteeing certain payments into the 1993 Debt Service Reserve Account with respect to the 1993 Bonds as provided therein and subject to the limitations set forth therein, which policy constitutes a Debt Service Reserve Account Policy under this First Supplemental Indenture of Trust.

(b) Addition of New Section 303 to the First Supplemental Indenture of Trust. The following new Section 303 shall be added to the First Supplemental Indenture of Trust:

Section 303. 1993 Reserve Account Policy. Notwithstanding anything herein to the contrary, as long as the 1993 Reserve Account Policy shall be in full force and effect, the Authority, the Trustee and the Paying Agent agree to comply with the following provisions:

(a) In the event and to the extent that moneys on deposit in the 1993 Debt Service Account, plus any and all amounts on deposit in and credited to the 1993 Debt Service Reserve Account in excess of the amount of the 1993 Reserve Account Policy, are insufficient to pay the amount of principal and interest on the 1993 Bonds coming due, then upon the later of: (a) three (3) days after receipt by the provider of the 1993 Reserve Account Policy of a demand for payment in the form attached to the 1993 Reserve Account Policy as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent certifying that payment due under this First Supplemental Indenture of Trust has not been made to the Paying Agent; or (b) the payment date of the 1993 Bonds as specified in the Demand for Payment presented by the Paying Agent to the provider of the 1993 Reserve Account Policy, the provider of the 1993 Reserve Account Policy will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent under this First Supplemental Indenture of Trust (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the 1993 Reserve Account Policy; provided, however, that in the event that the amount on deposit in, or credited to, the 1993 Debt Service Reserve Account, in addition to the amount available under the 1993 Reserve Account Policy, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the "Additional Funding Instrument"), draws on the 1993 Reserve Account Policy and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency.

(b) The Trustee or Paying Agent shall, after submitting to the provider of the 1993 Reserve Account Policy the Demand for Payment as provided in

Section 303(a) above, make available to the provider of the 1993 Reserve Account Policy all records relating to the Accounts maintained under this First Supplemental Indenture of Trust. The Trustee or Paying Agent shall maintain records, satisfactory in form to the provider of the 1993 Reserve Account Policy, as to the amount available to be drawn at any given time under the 1993 Reserve Account Policy.

(c) The Trustee or Paying Agent shall, upon receipt of moneys received from a draw on the 1993 Reserve Account Policy, as specified in the Demand for Payment, credit the 1993 Debt Service Reserve Account to the extent of moneys received pursuant to such Demand for Payment.

(d) The 1993 Debt Service Reserve Account shall be replenished for each unreplenished prior withdrawal from the 1993 Debt Service Reserve Account in the following priority: (i) draws on the 1993 Reserve Account Policy and on any Additional Funding Instrument shall be paid on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the 1993 Debt Service Reserve Account to the required level, after taking into account the amounts available under the 1993 Reserve Account Policy and any Additional Funding Instrument, shall be deposited from next available Revenues.

ARTICLE III

MISCELLANEOUS

301. Effective Date. This Second Supplemental Indenture of Trust shall become effective at such time as this Second Supplemental Indenture of Trust shall be executed and delivered by the Authority and the Trustee.

302. Indenture of Trust to Remain in Effect. Save and except as amended by this Second Supplemental Indenture of Trust, the Indenture of Trust as heretofore supplemented shall remain in full force and effect.

303. Counterparts. This Second Supplemental Indenture of Trust may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; such counterparts shall together constitute but one and the same instrument.

304. Performance of Duties. The Trustee (including in its capacity as Paying Agent) agrees to perform the duties set forth in this Second Supplemental Indenture of Trust.

305. Severability. If any one or more of the agreements or provisions provided in this Second Supplemental Indenture of Trust on the part of the Authority or the Trustee (including in its capacity as Paying Agent) to be performed should be determined by a court of competent jurisdiction to be contrary to law, such agreements or provisions shall be null and void and shall be deemed separate from the remaining agreements and provisions herein contained and shall in no way affect the validity of the remaining agreements and provisions of this Second Supplemental Indenture of Trust.

IN WITNESS WHEREOF, Southern California Public Power Authority has caused this Second Supplemental Indenture of Trust to be signed in its name and on its behalf by its President, and its seal to be hereunto affixed and attested by its Assistant Secretary, thereunto duly authorized, and to evidence its acceptance of and consent to this Second Supplemental Indenture of Trust, the Trustee has caused this Second Supplemental Indenture of Trust to be signed in its name and on its behalf by a duly authorized officer.

**SOUTHERN CALIFORNIA PUBLIC
POWER AUTHORITY**

[Authority Seal]

By: _____
President

Attest: _____
Assistant Secretary

**U.S. BANK TRUST NATIONAL
ASSOCIATION, as Trustee**

By: _____
Vice President

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

SAN JUAN UNIT 3

ANNUAL BUDGET

FOR THE FISCAL YEAR

JULY 1, 2000 THROUGH JUNE 30, 2001

REVISED DECEMBER 21, 2000

ANNUAL BUDGET
July 1, 2000 through June 30, 2001
Authority Interest in San Juan Unit 3 Project
(\$000s)

Minimum Cost Component

Variable Cost Component

| Month | Net Debt Service | Minimum Fuel Cost | Operation and Maintenance | Capital Improvements | Property Taxes | Authority A&G Expenses | Subtotal Minimum Cost Component | Variable Fuel Cost | Subtotal Variable Cost Component | Total Cost of Power to Authority | Estimated Energy (MWh) to be Scheduled |
|-----------|------------------|-------------------|---------------------------|----------------------|----------------|------------------------|---------------------------------|--------------------|----------------------------------|----------------------------------|--|
| July | \$1,414 | \$2,261 | \$636 | \$50 | \$99 | \$24 | \$4,484 | \$361 | \$361 | \$4,845 | 139,277 |
| Aug | \$1,414 | \$2,261 | \$636 | \$50 | \$99 | \$24 | \$4,484 | \$361 | \$361 | \$4,845 | 139,277 |
| Sep | \$1,414 | \$2,261 | \$636 | \$50 | \$99 | \$24 | \$4,484 | \$361 | \$361 | \$4,845 | 134,784 |
| 3-Month | \$4,242 | \$6,783 | \$1,908 | \$150 | \$297 | \$72 | \$13,452 | \$1,083 | \$1,083 | \$14,535 | 413,338 |
| Oct | \$1,414 | \$2,261 | \$636 | \$50 | \$99 | \$24 | \$4,484 | \$361 | \$361 | \$4,845 | 139,277 |
| Nov | \$1,414 | \$2,261 | \$636 | \$50 | \$99 | \$24 | \$4,484 | \$361 | \$361 | \$4,845 | 134,784 |
| Dec | \$1,414 | \$2,261 | \$636 | \$50 | \$99 | \$24 | \$4,484 | \$361 | \$361 | \$4,845 | 139,277 |
| 6-Month | \$8,484 | \$13,566 | \$3,816 | \$300 | \$594 | \$144 | \$26,904 | \$2,166 | \$2,166 | \$29,070 | 828,676 |
| Jan | -\$88 | \$2,261 | \$636 | \$50 | \$99 | \$24 | \$2,982 | \$361 | \$361 | \$3,343 | 139,277 |
| Feb | -\$88 | \$2,261 | \$636 | \$50 | \$99 | \$24 | \$2,982 | \$361 | \$361 | \$3,343 | 125,798 |
| Mar | -\$88 | \$2,261 | \$636 | \$50 | \$99 | \$24 | \$2,982 | \$361 | \$361 | \$3,343 | 139,277 |
| 9-Month | \$8,220 | \$20,349 | \$5,724 | \$450 | \$891 | \$216 | \$36,850 | \$3,249 | \$3,249 | \$39,099 | 1,231,028 |
| Apr | -\$88 | \$2,261 | \$636 | \$50 | \$99 | \$24 | \$2,982 | \$361 | \$361 | \$3,343 | 134,784 |
| May | -\$88 | \$2,261 | \$636 | \$50 | \$99 | \$24 | \$2,982 | \$361 | \$361 | \$3,343 | 139,277 |
| Jun | -\$88 | \$2,261 | \$636 | \$50 | \$99 | \$24 | \$2,982 | \$361 | \$361 | \$3,343 | 134,784 |
| Full Year | \$7,956 | \$27,132 | \$7,632 | \$600 | \$1,188 | \$288 | \$44,796 | \$4,332 | \$4,332 | \$49,128 | 1,639,873 |
| TOTAL FY | \$7,956 | \$27,132 | \$7,632 | \$600 | \$1,188 | \$288 | \$44,796 | \$4,332 | \$4,332 | \$49,128 | 1,639,873 |

ANNUAL BUDGET
 July 1, 2000 through June 30, 2001
 Authority Interest in San Juan Unit 3 Project
 (\$000s)

| Month | Revenues | | | Revenue Fund Disbursements | | | | | | | Total Revenue Fund Disbursements |
|-----------|------------------------|-------------------------|-------------------|----------------------------|------------------------------|----------------------|------------------------------|----------------------------------|--------------------------|-----|----------------------------------|
| | Minimum Cost Component | Variable Cost Component | Interest Earnings | Operating Account | Operating Reserve Subaccount | Debt Service Account | Debt Service Reserve Account | Reserve & Contingency Account(*) | De-commissioning Account | | |
| July | \$4,484 | \$381 | \$88 | \$4,933 | \$3,381 | \$0 | \$1,502 | \$0 | \$50 | \$0 | \$4,933 |
| Aug | \$4,484 | \$381 | \$88 | \$4,933 | \$3,381 | \$0 | \$1,502 | \$0 | \$50 | \$0 | \$4,933 |
| Sep | \$4,484 | \$381 | \$88 | \$4,933 | \$3,381 | \$0 | \$1,502 | \$0 | \$50 | \$0 | \$4,933 |
| 3-Month | \$13,452 | \$1,083 | \$264 | \$14,799 | \$10,143 | \$0 | \$4,506 | \$0 | \$150 | \$0 | \$14,799 |
| Oct | \$4,484 | \$381 | \$88 | \$4,933 | \$3,381 | \$0 | \$1,502 | \$0 | \$50 | \$0 | \$4,933 |
| Nov | \$4,484 | \$381 | \$88 | \$4,933 | \$3,381 | \$0 | \$1,502 | \$0 | \$50 | \$0 | \$4,933 |
| Dec | \$4,484 | \$381 | \$88 | \$4,933 | \$3,381 | \$0 | \$1,502 | \$0 | \$50 | \$0 | \$4,933 |
| 6-Month | \$26,904 | \$2,166 | \$528 | \$29,598 | \$20,286 | \$0 | \$9,012 | \$0 | \$300 | \$0 | \$29,598 |
| Jan | \$2,982 | \$381 | \$88 | \$3,431 | \$3,381 | \$0 | \$0 | \$0 | \$50 | \$0 | \$3,431 |
| Feb | \$2,982 | \$381 | \$88 | \$3,431 | \$3,381 | \$0 | \$0 | \$0 | \$50 | \$0 | \$3,431 |
| Mar | \$2,982 | \$381 | \$88 | \$3,431 | \$3,381 | \$0 | \$0 | \$0 | \$50 | \$0 | \$3,431 |
| 9-Month | \$35,850 | \$3,249 | \$792 | \$39,891 | \$30,429 | \$0 | \$9,012 | \$0 | \$450 | \$0 | \$39,891 |
| Apr | \$2,982 | \$381 | \$88 | \$3,431 | \$3,381 | \$0 | \$0 | \$0 | \$50 | \$0 | \$3,431 |
| May | \$2,982 | \$381 | \$88 | \$3,431 | \$3,381 | \$0 | \$0 | \$0 | \$50 | \$0 | \$3,431 |
| Jun | \$2,982 | \$381 | \$88 | \$3,431 | \$3,381 | \$0 | \$0 | \$0 | \$50 | \$0 | \$3,431 |
| Full Year | \$44,796 | \$4,332 | \$1,056 | \$50,184 | \$40,572 | \$0 | \$9,012 | \$0 | \$600 | \$0 | \$50,184 |
| TOTAL FY | \$44,796 | \$4,332 | \$1,056 | \$50,184 | \$40,572 | \$0 | \$9,012 | \$0 | \$600 | \$0 | \$50,184 |

(*) To be used for Capital Improvements.