

\$144,400,000

*Maricopa County, Arizona Pollution Control Corporation  
Pollution Control Revenue Refunding Bonds  
(Southern California Edison Company)*

\$79,400,000 2000 Series A

(Non-AMT)

\$65,000,000 2000 Series B

(Non-AMT)

Interest Accrual Date: May 27, 2010

Maturity Date: June 1, 2035

The Bonds of each series are special, limited obligations of the Maricopa County, Arizona Pollution Control Corporation (the “Issuer”) and are payable from and secured by payments to be made under a separate series of First and Refunding Mortgage Bonds issued by, and payments to be made by the Company under a separate Loan Agreement between the Issuer and

*Southern California Edison Company*

The Bonds of each series will bear interest at a Term Rate of 5.00% per annum from May 27, 2010 to, but not including, the maturity date, payable on each June 1 and December 1, commencing December 1, 2010. The Bonds will be reoffered in denominations of \$5,000 and integral multiples thereof. The Bonds are subject to optional, extraordinary optional and mandatory redemption in the manner and at the times described herein. See “THE BONDS—Redemption of Bonds.”

The Bonds will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), which initially will act as securities depository for the Bonds as described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 and integral multiples thereof, as described above. Beneficial owners of the Bonds will not receive physical delivery of bond certificates except as described herein. So long as Cede & Co., as nominee of DTC, is the exclusive registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by The Bank of New York Mellon (formerly known as The Bank of New York), as trustee for the Bonds, to DTC on each applicable payment date. Disbursement of such payments to DTC’s participants will be the responsibility of DTC, and disbursement of such payments to beneficial owners of the Bonds will be the responsibility of such participants. See “THE BONDS—Book-Entry Only System.”

THE BONDS SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE COUNTY OF MARICOPA OR THE STATE OF ARIZONA (OR ANY POLITICAL SUBDIVISION THEREOF) WITHIN THE MEANING OF ANY PROVISION OR LIMITATION OF THE CONSTITUTION OR STATUTES OF THE STATE OF ARIZONA, AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE COUNTY OF MARICOPA OR THE STATE OF ARIZONA (OR ANY POLITICAL SUBDIVISION THEREOF) OR THE GENERAL CREDIT OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.

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Price 100%

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On July 19, 2000, the original issue date of the Bonds, Winthrop, Stimson, Putnam & Roberts, as bond counsel, rendered its opinion to the effect that, as of such date, interest on the Bonds was excluded from the gross income of the owners thereof for federal income tax purposes, except during any period that the Bonds are held by a substantial user of the facilities or a related person, and that interest so excluded was not treated as an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals, corporations and other taxpayers. Such opinion is not required to be, and has not been, updated or reissued in connection with this reoffering of the Bonds. Greenberg Traurig, LLP, Successor Bond Counsel, has rendered opinions to the effect, among other things, that the adjustment of the interest rates on the Bonds in connection with this reoffering will not adversely affect the exemption from federal income taxes of interest on the Bonds. See “TAX MATTERS” herein for a more complete discussion.

The Bonds are reoffered by the Underwriters, subject to the delivery of the confirming opinion of the Successor Bond Counsel and to certain other conditions. It is expected that delivery of the Bonds will be made through the facilities of DTC in New York, New York on May 27, 2010 against payment therefor in immediately available funds.

MORGAN STANLEY    J.P. MORGAN    DE LA ROSA & Co.    SLHARE CAPITAL, INC.  
May 20, 2010

The Underwriters have provided the following sentence for inclusion in this Reoffering Circular. The Underwriters have reviewed the information in this Reoffering Circular in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but they do not guarantee the accuracy or completeness of such information. This Reoffering Circular is submitted in connection with the sale of the securities referenced herein, and may not be reproduced or be used, in whole or in part, for any other purpose. The delivery of this Reoffering Circular at any time does not imply that the information herein is correct as of any time subsequent to its date.

IN CONNECTION WITH THE REOFFERINGS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No person has been authorized to give any information or to make any representations other than those contained in this Reoffering Circular in connection with the offers made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, the Company or the Underwriters. Neither the delivery of this Reoffering Circular nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer or the Company since the date hereof. This Reoffering Circular does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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## ***Reoffering Circular***

***\$144,400,000***

***Maricopa County, Arizona Pollution Control Corporation  
Pollution Control Revenue Refunding Bonds  
(Southern California Edison Company)***

***\$79,400,000 2000 Series A  
(Non-AMT)***

***\$65,000,000 2000 Series B  
(Non-AMT)***

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### **INTRODUCTORY STATEMENT**

This Reoffering Circular is provided to furnish information in connection with the reoffering of Pollution Control Revenue Refunding Bonds (Southern California Edison Company) 2000 Series A, in the aggregate principal amount of \$79,400,000 (the “Series A Bonds”), and Pollution Control Revenue Refunding Bonds (Southern California Edison Company) 2000 Series B, in the aggregate principal amount of \$65,000,000 (the “Series B Bonds”), of the Maricopa County, Arizona Pollution Control Corporation (the “Issuer”). The Series A Bonds and the Series B Bonds are hereinafter collectively referred to as the “Bonds.” All of the Bonds are currently owned by the Company.

Each series of Bonds was issued on July 19, 2000 pursuant to a separate Indenture of Trust, dated as of June 1, 2000 (as supplemented and amended, individually, an “Indenture” and, together, the “Indentures”), between the Issuer and The Bank of New York (now known as The Bank of New York Mellon), as trustee (the “Trustee”). The proceeds from the sale of each series of the Bonds were loaned to Southern California Edison Company (the “Company”) pursuant to a separate Loan Agreement, dated as of June 1, 2000 (as supplemented and amended, individually, an “Agreement” and, together, the “Agreements”), between the Issuer and the Company and used to refund certain pollution control revenue refunding bonds previously issued by the Issuer to refinance certain pollution control facilities (the “Project”) located at the Palo Verde Nuclear Generating Station (the “Generating Station”) in Maricopa County, Arizona. Under each Agreement, the Company is obligated to repay the related loan by making payments at such times and in such amounts as shall be required to pay when due the principal of, and premium, if any, and interest on, the related series of Bonds. See “THE AGREEMENTS” below.

Payment of the principal of, and interest and premium, if any, on, each series of the Bonds is secured by a pledge of a separate series of First and Refunding Mortgage Bonds (individually and together, the “Series 2004 First Mortgage Bonds”) issued by the Company on March 1, 2004 pursuant to the One Hundred Second Supplemental Indenture (the “First Mortgage Supplemental Indenture”) to the Trust Indenture, dated as of October 1, 1923, between the Company and The Bank of New York (now known as The Bank of New York Mellon Trust Company, N.A.) and D.G. Donovan, as successor trustees (the “First Mortgage Trustees”), as amended and supplemented, including by the First Mortgage Supplemental Indenture (the “Company Indenture”). Each series of the Series 2004 First Mortgage Bonds contains substantially identical terms and provisions.

The Bonds of each series and the interest and premium, if any, thereon are special, limited obligations of the Issuer and are payable solely from the Revenues (as defined below under “THE INDENTURES—Assignment of Agreement”) to be received by the Issuer pursuant to the related Agreement and assigned to the Trustee pursuant to the related Indenture. Moreover, the facilities constituting the Project are not mortgaged, pledged or otherwise encumbered as security for the Bonds of either series. The Bonds shall never constitute an indebtedness of the Issuer, the County of Maricopa or the State of Arizona (or any political subdivision thereof) within the meaning of any provision or limitation of the Constitution or statutes of the State of Arizona, and shall never constitute or give rise to a pecuniary liability of the Issuer or a charge against the general credit or taxing powers of the County of Maricopa or the State of Arizona (or any political subdivision thereof) or the general credit of the Issuer. The Issuer has no taxing power. No owner of a Bond shall have any right to demand payment of the principal of, or premium or interest on, the Bonds out of any funds to be raised by taxation or any funds of the Issuer other than those pledged to the Trustee.

Brief descriptions of the Issuer, the Bonds, the Agreements, the Indentures, the Company Indenture and the Series 2004 First Mortgage Bonds are included in this Reoffering Circular, and a description of the Company is included as APPENDIX A hereto, which incorporates certain documents by reference. Such descriptions do not purport to be comprehensive. All references herein to the Agreements, the Indentures and the Company Indenture are qualified in their entirety by reference to such documents, and references herein to the Bonds and the Series 2004 First Mortgage Bonds are qualified in their entirety by reference to the forms thereof included in the Indentures and the Company Indenture and the information with respect thereto included in the aforementioned documents. Copies of these documents are available for inspection during normal business hours at the corporate trust office of the Trustee at 385 Rifle Camp Road – 3rd Floor, Woodland Park, New Jersey 07424. Unless otherwise defined in this Reoffering Circular, all terms used herein have the same meanings as those terms have in the Indentures. Attached hereto as APPENDIX B is the opinion of Winthrop, Stimson, Putnam & Roberts, as bond counsel, delivered on the date the Bonds were issued. Attached hereto as APPENDIX C is the form of the opinion of Greenberg Traurig, LLP, Successor Bond Counsel, to the effect that the adjustment of the interest rates on the Bonds on the Adjustment Date (as defined below under “THE BONDS—General”) will not adversely affect the tax-exempt status of interest on the Bonds.

#### **THE ISSUER**

The Issuer is an Arizona nonprofit corporation designated as a political subdivision under the laws of the State of Arizona and incorporated pursuant to Title 35, Chapter 6, Arizona Revised Statutes, as supplemented and amended (the “Act”). The Issuer was and is authorized and empowered by the Act to issue the Bonds, to enter into the Agreements and the Indentures and to secure the Bonds of each series by a pledge and assignment to the Trustee of the Issuer’s rights under the related Agreement, including the right to receive payments thereunder (with certain exceptions).

## USE OF PROCEEDS

As the current owner of the Bonds, the Company will receive the proceeds of the reoffering of the Bonds. The Company intends to use the proceeds to either repay commercial paper borrowings or for general corporate purposes.

## THE BONDS

*The following is a summary of certain provisions of each series of the Bonds. Each series of the Bonds is separate and distinct from the other series of Bonds, and an Event of Default with respect to one series of Bonds will not necessarily constitute a default under the other series. Each series of the Bonds is separately secured by a pledge of loan repayments by the Company under the related Agreement and by a pledge of the related series of Series 2004 First Mortgage Bonds. A redemption of one series of the Bonds will not necessarily affect the other series of Bonds. Each series of the Bonds contains the same terms and provisions, and the following should be read as a description of each separate series of the Bonds and the related Indenture, Agreement and series of Series 2004 First Mortgage Bonds.*

### General

The Bonds are dated July 19, 2000, their date of original issuance, and, subject to prior redemption, will mature on June 1, 2035.

On May 27, 2010 (the “Adjustment Date”) the interest rate on the Bonds of each series will be adjusted to the Term Rate set forth on the cover page hereof (the “Term Rate”) and the Bonds will bear interest at the Term Rate from the Adjustment Date until the maturity date thereof (such period being herein referred to as the “Term Rate Period”). Interest on the Bonds at the Term Rate will begin accruing on the Adjustment Date and will be payable on each June 1 and December 1 thereafter, commencing on December 1, 2010, and on the final maturity date of the Bonds (the “Interest Payment Dates”); provided, however, that if, as shown by the records of the Trustee, interest on the Bonds is in default, the Bonds will bear interest from the last date to which interest has been paid in full or duly provided for on the Bonds. Interest on the Bonds during the Term Rate Period will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

During the Term Rate Period, the Bonds will be issued in denominations of \$5,000 or integral multiples thereof (the “Authorized Denominations”) and will be subject to optional, extraordinary optional and mandatory redemption as described below under “THE BONDS—Redemption of Bonds.”

The Bonds are issued in book-entry only form. Cede & Co., as nominee of The Depository Trust Company (“DTC”), is the registered owner of the Bonds and references herein to the Bondholders or holders of the Bonds means Cede & Co. as the registered owner of the Bonds, and not the Beneficial Owners (as defined below under “THE BONDS—Book-Entry Only System”) of the Bonds. Beneficial Owners of the Bonds will not receive or have the right to receive bond certificates. See “THE BONDS—Book-Entry Only System.”

So long as the Bonds are held in the book-entry only system described below, the principal of and premium, if any, and interest on the Bonds will be paid through the facilities of DTC and the Beneficial Owner of a Bond must maintain an account with a broker or dealer who is, or acts through, a Participant (as defined below under “THE BONDS—Book-Entry Only System”) in order to receive payment of the principal of and premium, if any, and interest on such Bond.

The Bank of New York (now known as The Bank of New York Mellon) is Trustee under each Indenture and has also been appointed Registrar (the “Registrar”) and Paying Agent (the “Paying Agent”) for the Bonds of each series. For purposes of the Indenture, the “Principal Office” of the Trustee, Registrar and Paying Agent is located at 385 Rifle Camp Road – 3rd Floor, Woodland Park, New Jersey 07424.

Payment of the interest on any Bond shall be made to the person appearing on the bond registration books of the Registrar as the registered holder thereof as of the close of business on the fifteenth day of the month preceding such Interest Payment Date (the “Record Date”), such interest to be paid by the Paying Agent to such registered holder (i) in the event such Bond is held in the book-entry only system, in immediately available funds on the Interest Payment Date in accordance with DTC’s procedures, and (ii) in the event such Bond is not held in the book-entry only system (A) in immediately available funds (by wire transfer or by deposit to the account of the holder of any such Bond if such account is maintained with the Paying Agent), according to the written instructions given by such holder to the Registrar prior to the Record Date or (B) in all other cases, by check mailed by first class mail to the holder at such holder’s address as it appears as of the Record Date on the registration books of the Registrar; except, in each case, that, if and to the extent there shall be a default in the payment of the interest due on such Interest Payment Date, such defaulted interest shall be paid to the holders in whose name any such Bonds are registered as of a special record date to be fixed by the Trustee. Both the principal and premium, if any, on the Bonds is payable upon surrender thereof in lawful money of the United States of America at the Principal Office of the Paying Agent.

## **Security**

Payment of the principal of and premium, if any, and interest on the Bonds will be secured by an assignment by the Issuer to the Trustee of the Issuer’s interest in the Agreement and all payments to be made under the Agreement (with certain exceptions). Payment of the principal of, and interest and premium, if any, on, each series of the Bonds is also secured by a pledge of a separate series of the Series 2004 First Mortgage Bonds. See “THE SERIES 2004 FIRST MORTGAGE BONDS” below.

## **Limited Obligations**

The Bonds and the interest and premium, if any, thereon are special, limited obligations of the Issuer and are payable solely from the Revenues to be received by the Issuer pursuant to the Agreement and assigned to the Trustee pursuant to the Indenture. Moreover, the facilities constituting the Project are not mortgaged, pledged or otherwise encumbered as security for the Bonds. The Bonds shall never constitute an indebtedness of the Issuer, the County of Maricopa

or the State of Arizona (or any political subdivision thereof) within the meaning of any provision or limitation of the Constitution or statutes of the State of Arizona, and shall never constitute or give rise to a pecuniary liability of the Issuer or a charge against the general credit or taxing powers of the County of Maricopa or the State of Arizona (or any political subdivision thereof) or the general credit of the Issuer. The Issuer has no taxing power. No owner of a Bond shall have any right to demand payment of the principal of or premium or interest on the Bonds out of any funds to be raised by taxation or any funds of the Issuer other than those pledged to the Trustee.

## **Redemption of Bonds**

**Optional Redemption.** During the Term Rate Period, the Bonds are subject to redemption prior to maturity at the option of the Company on or after June 1, 2020, in whole or in part (by lot) at any time, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date upon prepayment of any amount that the Company is required to pay to the Trustee under the Agreement as a repayment of the loan made by the Issuer thereunder (the “Repayment Installments”).

**Extraordinary Optional Redemption.** During the Term Rate Period, the Bonds will be redeemed prior to maturity in whole or in part, and if in part by lot, at any time at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the redemption date, upon receipt by the Trustee of a written notice from the Company stating that any of the following events has occurred (which determination shall be in the sole discretion of the Company) and that the Company therefore intends to exercise its option to prepay the Repayment Installments due under the Agreement in whole or in part pursuant to the Agreement and thereby effect the redemption of Bonds in whole or in part to the extent of such prepayments:

(a) all or part of the Project or the Generating Station has been damaged or destroyed to such an extent that, in the opinion of the Company, (i) the Project or the Generating Station could not reasonably be restored within a period of four months to the condition thereof immediately preceding such damage or destruction, and the Company will be prevented, or is likely to be prevented for a period of four consecutive months or more, from carrying on all or substantially all of its normal operation of the Project or the Generating Station, or (ii) the cost of restoration of the Project or the Generating Station will be substantially in excess of the net proceeds of insurance thereon;

(b) title to, or the temporary use of, all or a part of the Project or the Generating Station has been taken under the exercise of the power of eminent domain;

(c) changes in economic availability of raw materials, operating supplies or facilities necessary to operate all or a part of the Project or the Generating Station, or technological or other changes which make the continued operation of the Project or the Generating Station or such affected portion uneconomical, in the opinion of the Company, have occurred and have resulted in a cessation of all or substantially all of the Company’s normal operations of either the Project or the Generating Station;

(d) unreasonable burdens or excessive liabilities have been imposed upon the Issuer or the Company in respect of all or a part of the Project or the Generating Station including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Agreement, as well as any statute or regulation enacted or promulgated after the date of the Agreement that prevents the Company from deducting interest in respect of the Agreement for federal income tax purposes; or

(e) all or substantially all of the property of the Company has been transferred or sold to any entity other than an affiliate of the Company or the Company has been consolidated with or merged into an entity other than an affiliate of the Company in such manner that the Company is not the surviving entity and the surviving, resulting or transferee entity does not agree to perform the obligations of the Company.

**Optional Change in Use Redemption.** During the Term Rate Period, the Bonds are subject to redemption upon prepayment of the Repayment Installments attributable to the Bonds at the option of the Company in whole or in part by lot at any time, at a redemption price equal to 100% of the principal amount thereof, if the Company delivers to the Trustee a written notice to the effect that either:

(a) the Company has determined that some or all of the interest payable under the Agreement for any 60 days (which need not be consecutive) within any consecutive 24 month period is not or will not be deductible, in whole or in part, for federal income tax purposes by reason of Section 150(b) of the Internal Revenue Code of 1986, as amended (the "Code") (or would not be deductible unless some or all of the Bonds are redeemed), due to a change in use of the Project or any portion thereof, and the Company will not claim deductions for such interest on its federal income tax returns; or

(b) the Company after reasonable effort has been unable to obtain an opinion of Bond Counsel (as defined below) that it is more likely than not that Section 150 of the Code will not prevent interest payable under the Agreement for any 60 days (which need not be consecutive) within any consecutive 24 month period from being deductible, in whole or in part, for federal income tax purposes.

In either such case, the Company may only cause the Trustee to redeem such principal amount of Bonds as the Company determines is necessary to assure that the Company retains its right to all such deductions otherwise allowable or, if a partial redemption will not enable the Company to retain the right to deduct such interest, the Company may cause the Trustee to redeem all the Outstanding Bonds. "Bond Counsel" means any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the validity of, and exclusion from gross income for federal tax purposes of interest on, bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States, but does not include counsel for the Company.

**Mandatory Redemption.** The Bonds are subject to redemption upon mandatory prepayment of the loan in whole at any time (except as provided in (a) below) at a redemption price of 100% of the principal amount thereof, without premium, plus accrued interest, if any, to



the redemption date, within 180 days after the occurrence of any event set forth in (a) below and immediately upon the occurrence of any event set forth in (b) below.

(a) If, due to the untruth or inaccuracy of any representation or warranty made by the Company in the Agreement or the breach of any covenant or warranty of the Company contained in the Agreement, interest on the Bonds, or any of them, is determined not to be Tax-Exempt (as defined below) to the holders thereof (other than any holder who is a “substantial user” of facilities financed with the proceeds of the Bonds or a “related person” within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended (the “1954 Code”)) by a final administrative determination of the Internal Revenue Service or a final judicial decision of a court of competent jurisdiction in a proceeding of which the Company received notice and in which the Company was afforded an opportunity to participate to the full extent permitted by law. A determination or decision will not be considered final for purposes of the preceding sentence unless (1) the Issuer or the holder or holders of the Bonds involved in the proceeding in which the issue is raised (A) have given the Company and the Trustee prompt written notice of the commencement thereof, and (B) have offered the Company the opportunity to control the proceeding; provided the Company agrees to pay all expenses in connection therewith and to indemnify such holder or holders against all liability for such expenses (except that any such holder may engage separate counsel, and the Company will not be liable for the fees or expenses of such counsel); and (2) such proceeding is not subject to a further right of appeal or has not been timely appealed. The Bonds will be redeemed in whole unless, in the opinion of Bond Counsel delivered to the Trustee, the redemption of a specified portion of such Bonds Outstanding would have the result that interest payable on such Bonds remaining Outstanding after such redemption would remain Tax-Exempt, in which case such Bonds will be redeemed in part by lot (in Authorized Denominations), in such amount as Bond Counsel in such opinion has determined is necessary to accomplish that result.

(b) If, as a result of any changes in the Constitution of the United States of America or the Arizona Constitution or as a result of any legislative, judicial or administrative action, the Agreement has become void or unenforceable or impossible to perform in accordance with the intention and purposes of the parties to the Agreement, or has been declared unlawful.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a “substantial user” of facilities financed with such obligations or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

**Notice of Redemption.** Notice of redemption of Bonds will be mailed by first class mail, postage prepaid, not less than 30 days nor more than 60 days before the redemption date, to the registered owners of any Bonds designated for redemption at their addresses shown on the registration books maintained by the Registrar. Each notice of redemption will state the date of

such notice, the date of issue of the Bonds to be redeemed, the redemption date, the redemption price, the place of redemption, the source of the funds to be used for such redemption, the principal amount, the CUSIP numbers, if any, of the Bonds to be redeemed and, if less than all of the Bonds are to be redeemed, the distinctive certificate number(s) of the Bonds to be redeemed, and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the principal thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds then be surrendered. Neither failure to receive such notice nor any defect therein will affect the sufficiency of such redemption. Notice of redemption of the Bonds will be given by the Trustee, at the expense of the Company, for and on behalf of the Issuer.

With respect to any notice of optional redemption of Bonds described above under “THE BONDS—Redemption of Bonds—Optional Redemption,” unless upon the giving of such notice such Bonds are deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of available amounts sufficient to pay the principal of and premium, if any, and interest on, such Bonds to be redeemed, and that if such available amounts have not been so received said notice will be of no force and effect and the Issuer will not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such available amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such available amounts were not so received.

**Partial Redemption; Effect of Redemption.** Upon surrender of any Bond redeemed in part only, the Registrar will exchange the Bond redeemed for a new Bond of like tenor and in an Authorized Denomination without charge to the holder in the principal amount of the portion of the Bond not redeemed. In the event of any partial redemption of a Bond which is registered in the name of Cede & Co., DTC may elect to make a notation on the Bond certificate which reflects the date and amount of the reduction in principal amount of said Bond in lieu of surrendering the Bond certificate to the Registrar for exchange. The Issuer, the Trustee and the Registrar will be fully released and discharged from all liability upon, and to the extent of, payment of the redemption price for any partial redemption and upon the taking of all other actions required under the Indenture in connection with such redemption.

If less than all of the Bonds are called for redemption, the Trustee will select the Bonds or any given portion thereof to be redeemed by lot. For the purpose of any such selection the Trustee will assign a separate number for each minimum Authorized Denomination of each Bond of a denomination of more than such minimum; provided that following any such selection, both the portion of such Bond to be redeemed and the portion remaining will be in Authorized Denominations. Notwithstanding the foregoing, if less than all of the Bonds are to be redeemed at any time while the Bonds are in book-entry form, selection of the Bonds to be redeemed will be made in accordance with customary practices of the securities depository.

Notice of redemption having been duly given, and moneys for payment of the redemption price (including premium, if any) of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any lien, benefit or security under the Indenture, except for payment of particular Bonds for which moneys are being held by the Trustee which moneys will be pledged to such payment, and the holders of said Bonds will have no rights in respect thereof except to receive payment of said redemption price (including premium, if any) and interest accrued to the date fixed for redemption.

### **Book-Entry Only System**

Initially, the Bonds will be available in book-entry form only. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. DTC is acting as securities depository for the Bonds. One fully-registered Bond certificate for each series of the Bonds in the aggregate principal amount of the Bonds of such series has been deposited with DTC and registered initially in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for equity issues, corporate and municipal debt issues, and money market instruments that DTC's Participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org) (it being understood that information available at these websites is not incorporated herein by reference). So long as the Bonds are maintained in book-entry form with DTC, the following procedures will be applicable with respect to the Bonds.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to

credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Company, the Underwriters or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as Securities Depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor Securities Depository is not obtained, bond certificates are required to be printed and delivered to the Beneficial Owners.

The Issuer, with the consent of the Company, may, and upon request of the Company will, terminate the services of DTC (or a successor Securities Depository) with respect to the Bonds. In that event, unless a substitute Securities Depository is appointed by the Issuer (with the consent, or at the request, of the Company) to undertake the functions of DTC under the Indenture, the Issuer, at the expense of the Company, is obligated to deliver Bond certificates to the Beneficial Owners of such Bonds, as described in the Indenture, and such Bonds will no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., but may be registered in whatever name or names Bondholders transferring or exchanging such Bonds designate, in accordance with the provisions of the Indenture.

So long as Cede & Co., or such other name as may be requested by an authorized representative of DTC, is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners of the Bonds will mean Cede & Co. or such other name and will not mean the Beneficial Owners. Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Issuer's obligations under the Indenture and the Company's obligations under the Agreement to the extent of the payments so made. Beneficial Owners will not be, and will not be considered by the Issuer or the Trustee to be, and will not have any rights as, registered owners of Bonds under the Indenture.

THE ISSUER, THE COMPANY, THE UNDERWRITERS AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT (INCLUDING PREMIUM) OR REDEMPTION OR INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE

GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ANY PARTICIPANT AS REGISTERED OWNER.

As long as DTC (or any successor Securities Depository) or its nominee is the registered owner of the Bonds, the Trustee will send any notice of redemption or of proposed document amendments requiring consent of registered owners and any other notices required by the documents to be sent to registered owners only to such registered owner. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption, the document amendment or any other action premised on that notice.

The Issuer, the Company, the Trustee and the Underwriters cannot and do not give any assurances that DTC will distribute payments of debt service on the Bonds made to DTC or its nominee as the registered owner or any redemption or other notices to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Reoffering Circular.

According to DTC, the foregoing information concerning DTC has been provided for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

## THE AGREEMENTS

*Each Agreement will operate independently of the other. An Event of Default under either Agreement will not, in and of itself, constitute an Event of Default under the other Agreement. The following summarizes certain provisions of each Agreement. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of each Agreement to which reference is hereby made. A separate Agreement was entered into with respect to each series of the Bonds, but each of the Agreements contains the same terms and provisions and the discussion below referring to the "Agreement," the "Bonds," the "Indenture" and the "Series 2004 First Mortgage Bonds" should be read as a description of each separate Agreement and the related Bonds, Indenture and series of Series 2004 First Mortgage Bonds.*

### **Issuance of Bonds; Refunding Certain Prior Bonds**

The Issuer issued the Bonds on July 19, 2000 at the request of the Company in order to refund certain prior bonds issued to refinance a portion of the cost of the Project. The proceeds of the Bonds were loaned to the Company in accordance with the Agreement to assist the Company in the repayment of the principal of such prior bonds.

## **Payments**

The Company is obligated under the Agreement to make Repayment Installments to the Trustee, in immediately available funds, for deposit in the Bond Fund created under the Indenture, equal to the amounts payable as principal of (whether at maturity or upon redemption or acceleration) and premium, if any, and interest on the Bonds, which amounts are to be paid by the Company on the dates such amounts are payable on the Bonds; provided, however, that the obligation of the Company to make any such Repayment Installment will be reduced by the amount of any moneys on deposit in the Bond Fund on any such date and available to pay principal of, and premium, if any, and interest on the Bonds.

To secure and provide for the payments of Repayment Installments when they become due, the Company issued and delivered to the Trustee, concurrently with the remarketing of the Bonds on March 1, 2004, its Series 2004 First Mortgage Bonds and has covenanted under the Agreement to maintain the Series 2004 First Mortgage Bonds in place during the term of the Agreement. Payments of Repayment Installments made by the Company will be considered to be a satisfaction, to such extent, of its obligation to make corresponding payments on the Series 2004 First Mortgage Bonds.

## **Unconditional Obligation**

The obligations of the Company to make the payments pursuant to the Agreement described in the immediately preceding paragraph and to perform and observe the other agreements on its part contained therein will be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Issuer, and during the term of the Agreement, the Company will pay all payments to be made on account of the loan relating to the Bonds as described in the immediately preceding paragraph and all other payments required under the Agreement, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of and premium, if any, and interest on the Bonds have been fully paid, or provision for the payment thereof has been made as required by the Indenture, the Company (i) will not suspend or discontinue any payments required under the Agreement, including the payments described in the immediately preceding paragraph; (ii) will perform and observe all of its other covenants contained in the Agreement; and (iii) except following full payment of the Bonds or provision for payment thereof and all other fees and charges provided in the Agreement and the Indenture, will not terminate the Agreement for any cause, including, without limitation, the occurrence of any act or circumstance that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Arizona or any political subdivision of either of them, or any failure of the Issuer or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement or the Indenture, except to the extent permitted by the Agreement.

## **Certain Additional Covenants of the Company**

**Maintenance of Corporate Existence.** The Company has agreed that during the term of the Agreement, it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another entity unless (a) the acquirer of its assets or the entity with which it shall consolidate or into which it shall merge shall (i) be a person (other than an individual), as defined in the Indenture, organized under the laws of the United States of America or one of the states of the United States of America, (ii) be qualified to do business in the State of Arizona, and (iii) assume in writing all of the obligations of the Company under the Agreement and the Tax Agreement. The Company has also agreed that during the term of the Agreement (i) it will maintain its good standing in the State of Arizona so long as it owns, operates or controls the Project or (ii) it will consent to service of process in the State of Arizona by service upon the agent of the Company so designated in writing by the Company to the Issuer and the Trustee.

**Annual Statement.** The Company has agreed during the term of the Agreement to have an annual audit made by its regular certified public accountants and to furnish the Trustee (within 30 days after receipt by the Company) with a balance sheet and statement of income and surplus showing the financial condition of the Company and its consolidated subsidiaries, if any, at the close of each fiscal year and the results of operations of the Company and its consolidated subsidiaries, if any, for such fiscal year accompanied by a report of said accountants that such statements have been prepared in accordance with generally accepted accounting principles. The Company may satisfy such obligation by delivering to the Trustee a copy of the Company's Annual Report at the same time it is mailed to stockholders.

**Maintenance and Repair; Taxes; Etc.** The Company has agreed under the Agreement, so long as the Company owns, operates or controls the Project, to the extent permitted by applicable law and regulation, to maintain or cause to be maintained, the Project in good repair and keep it properly insured and promptly pay or cause to be paid all costs thereof. The Company has also agreed under the Agreement to pay or cause to be paid all installments of taxes, installments of special assessments, and all governmental, utility and other charges with respect to the Project, when due; provided that the Company may appeal any of the foregoing as provided in the Agreement but will not permit any such taxes, assessments or other charges, or installments thereof, to remain unpaid if such nonpayment subjects the Project or any part thereof to loss or forfeiture.

**Tax-Exempt Status of Bond Interest.** The Company has covenanted and agreed under the Agreement that it has not taken or permitted and will not take or permit any action which results in interest paid on the Bonds being included in gross income of the holders or beneficial owners of the Bonds for purposes of federal income taxation (other than a holder or beneficial owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code).



## Defaults; Remedies

Any one of the following which occurs and continues will constitute an “Event of Default” under the Agreement:

- (a) failure by the Company to pay or cause to be paid when due any amounts required to be paid under the Agreement with respect to the payment of principal or premium, if any, or interest on the Bonds which failure causes an Event of Default under the Indenture;
- (b) failure of the Company to observe and perform any covenant, condition or agreement on its part required to be observed or performed under the Agreement, other than as provided in (a) above, which continues for a period of 30 days after written notice from the Trustee or the Issuer, given to the Company by the Issuer or the Trustee, which notice will specify such failure and request that it be remedied, unless the Issuer or the Trustee, as the case may be, will agree in writing to an extension of such time period; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time period if corrective action is instituted within such period and diligently pursued until the default is corrected; or
- (c) an Act of Bankruptcy of the Company; or
- (d) an Event of Default under the Indenture (see “THE INDENTURES—Defaults”); or
- (e) an event of default under the Company Indenture.

The provisions of subsection (b) above are subject to the limitation that the Company will not be deemed in default if and so long as the Company is unable to carry out its agreements under the Agreement by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States, the State of California or the State of Arizona or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Company; it being agreed that the settlement of strikes, lockouts and other industrial disturbances is entirely within the discretion of the Company, and the Company will not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Company, unfavorable to the Company.

Whenever any Event of Default has occurred and is continuing,

- (a) the Trustee, by written notice to the Company (with a copy to the Issuer), may declare the unpaid balance of the loan payable under the Agreement with respect to

which an Event of Default has occurred to be due and payable immediately in an amount equal to the outstanding principal amount of the Bonds plus accrued interest thereon, and the Trustee will do so if concurrently with or prior to such notice the unpaid principal amount of the Bonds has been declared to be due and payable under the Indenture;

(b) the Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Company; and

(c) the Issuer or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Company under the Agreement.

In case the Trustee or the Issuer has proceeded to enforce its rights under the Agreement and such proceedings are discontinued or abandoned for any reason or determined adversely to the Trustee or the Issuer, then, and in every such case, the Company, the Trustee and the Issuer will be restored respectively to their several positions and rights under the Agreement, and all rights, remedies and powers of the Company, the Trustee and the Issuer will continue as though no such action had been taken.

The Company covenants that, in case an Event of Default occurs with respect to the payment of any Repayment Installment, then, upon demand of the Trustee, the Company will pay to the Trustee the whole amount that then has become due and payable.

## **Amendments**

Except as otherwise provided in the Agreement or the Indenture, the Agreement may be effectively amended, changed, modified, altered or terminated only by written instrument executed by the Issuer and the Company, and only with the written consent thereto of the Trustee. See “THE INDENTURES—Supplemental Indentures and Amendments to Agreement” below.

## **THE INDENTURES**

*Each Indenture will operate independently of the other. An Event of Default under either Indenture will not, in and of itself, constitute an Event of Default under the other Indenture. The following summarizes certain provisions of each Indenture. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of each Indenture to which reference is hereby made. A separate Indenture was entered into with respect to each series of the Bonds, but each of the Indentures contains the same terms and provisions and the discussion below referring to the “Indenture,” the “Bonds,” the “Agreement” and the “Series 2004 First Mortgage Bonds” should be read as a description of each separate Indenture and the related Bonds, Agreement and series of Series 2004 First Mortgage Bonds.*

## **Assignment of Agreement**

Pursuant to the Indenture, all Repayment Installments, all amounts received under the Series 2004 First Mortgage Bonds to pay principal of and interest on the Bonds and any other payments made by the Company with respect to the Bonds pursuant to the Agreement (with certain exceptions) (together, the “Revenues”), are pledged by the Issuer to the Trustee to secure the full payment of the principal of and premium, if any, and interest on the Bonds.

## **Application of the Bond Fund**

The Bond Fund, into which the Revenues derived under the Agreement will be deposited, will be maintained with the Trustee. While any Bonds are Outstanding and except as otherwise provided in the Indenture, moneys in the Bond Fund will be used solely for the payment of the principal of and premium, if any, and interest on the Bonds as the same become due, whether at maturity or upon redemption or acceleration or otherwise.

## **Defeasance**

If the entire indebtedness on all Bonds Outstanding under the Indenture is paid and discharged in any one or more of the following ways:

- (a) by the payment of the principal of and premium, if any, and interest on all Bonds Outstanding, as and when the same become due and payable; or
- (b) by the delivery to the Registrar, for cancellation by it, of all Bonds Outstanding;

and if all other sums payable under the Indenture by the Issuer are paid and discharged, then the Indenture will cease, terminate and become null and void (except only as described below in this caption), and the Trustee will, upon written request of the Issuer, and upon receipt by the Trustee of an opinion of Counsel, stating that in the opinion of the signer all conditions precedent to the satisfaction and discharge of the Indenture have been complied with, execute proper instruments acknowledging satisfaction of and discharging the Indenture.

Any Bond or Authorized Denomination thereof will be deemed to be paid within the meaning of the Indenture when (a) payment of the principal of and premium, if any, on such Bond or Authorized Denomination thereof, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Indenture) either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment (1) moneys sufficient to make such payment and/or (2) nonprepayable, noncallable Government Obligations maturing as to principal and interest in such amount and at such time as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee pertaining to any such deposit have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond or Authorized Denomination thereof is deemed to be paid under the Indenture, as aforesaid, such Bond or Authorized Denomination

thereof will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys and/or Government Obligations. The Trustee is not responsible for verifying the sufficiency of funds provided to effect the defeasance of Bonds pursuant to the Indenture.

The Issuer and the Company may at any time surrender to the Registrar for cancellation by it any Bonds previously authenticated and delivered which the Issuer or the Company lawfully may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as described below) to pay or redeem Outstanding Bonds, whether upon or prior to their maturity or the redemption date of such Bonds, (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for giving such notice), all liability of the Issuer and the Company in respect of such Bonds will cease, terminate and be completely discharged, except that the Issuer and the Company will remain liable for such payment but only from, and the Bondholders will thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date) out of, the money deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

Notwithstanding any provisions of the Indenture, and subject to applicable laws of the State of Arizona, any moneys deposited with the Trustee or any Paying Agent in trust for the payment of the principal of, or interest or premium on, any Bonds remaining unclaimed for two years after the principal of any or all of the Outstanding Bonds has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in the Indenture), will then be repaid to the Company upon its written request, and the holders of such Bonds will thereafter be entitled to look only to the Company for payment thereof, and all liability of the Trustee or any Paying Agent with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Company as aforesaid, the Trustee or Paying Agent, as the case may be, will (at the request and cost of the Company) first publish at least once in a qualified newspaper a notice, in such form as may be deemed appropriate by the Company and the Trustee, in respect of the Bonds so payable and not presented and in respect of the provisions relating to the repayment to the Company of the moneys held for the payment thereof. In the event of the repayment of any such moneys to the Company as aforesaid, the holders of the Bonds in respect of which such moneys were deposited will thereafter be deemed to be unsecured creditors of the Company for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so repaid to the Company (without interest thereon).

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and will be:

(a) available amounts constituting lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) nonprepayable, noncallable Government Obligations purchased with available amounts, the principal of and the interest on which when due will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that the Trustee has been irrevocably instructed (by the terms of the Indenture or by written request of the Issuer) to apply such money to the payment of such principal or redemption price and interest with respect to such Bonds.

## **Defaults**

Each of the following events constitutes an “Event of Default” under the Indenture:

(a) failure to make due and punctual payment of the principal of or premium (if any) on any Bond when the same has become due and payable, whether at the stated maturity thereof, or upon proceedings for redemption thereof or upon the maturity thereof by declaration;

(b) failure to make payment of any installment of interest upon any Bond when the same has become due and payable;

(c) default by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and the continuation of such default for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the Issuer and the Company by the Trustee, or to the Issuer, the Company and the Trustee by the holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding;

(d) the occurrence of an Event of Default under the Agreement (see “THE AGREEMENTS—Defaults; Remedies” above); or

(e) an event of default under the Company Indenture.

No default specified in (c) above will constitute an Event of Default unless the Issuer and the Company have failed to correct such default within the applicable 30-day period; provided,

however, that if the default is such that it can be corrected, but cannot be corrected within such period, it will not constitute an Event of Default if corrective action is instituted by the Issuer or the Company within the applicable period and diligently pursued until the default is corrected. With regard to any alleged default concerning which notice is given to the Company, the Issuer has granted to the Company full authority for the account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution.

## **Remedies**

Upon the occurrence and continuation of an Event of Default under the Indenture, the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding the Trustee will, by notice in writing to the Company, declare the principal of all the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same will become and be immediately due and payable, or if the Event of Default is described in clause (e) of the immediately preceding paragraph and the First Mortgage Bonds issued and outstanding under the Company Indenture have become immediately due and payable pursuant to any provision of the Company Indenture, the Bonds will, without further action, become immediately due and payable, anything in the Indenture or the Bonds to the contrary notwithstanding. Interest on the Bonds will cease to accrue from and after the date of declaration of any such acceleration. Notwithstanding the foregoing, the Trustee is not required to take any action upon the occurrence and continuation of an Event of Default under the Indenture described in (c) or (d) above until a responsible officer of the Trustee has actual knowledge of such Event of Default.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered as hereinafter described, there has been deposited with the Trustee a sum which, together with any other amounts then held in the Bond Fund, is sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and the reasonable fees and expenses of the Trustee, including reasonable attorneys' fees, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Issuer and to the Trustee, may, on behalf of the holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default upon meeting the requirements of the Indenture; but no such rescission and annulment will extend to or will affect any subsequent default, nor will it impair or exhaust any right or power consequent thereon.

Any moneys collected by the Trustee and moneys in the Bond Fund on or after the occurrence of an Event of Default under the Indenture will be applied in the following order, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account

of principal (or premium, if any) or interest, upon presentation of the Bonds, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: To the payment of costs and expenses of collection, just and reasonable compensation to the Trustee for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and for advances made pursuant to the provisions of the Indenture with interest on all such advances at the rate of 9% per annum.

Second: In case the principal of none of the Outstanding Bonds has become due and remains unpaid, to the payment of interest in default on the Outstanding Bonds in the order of the maturity thereof, such payments to be made ratably and proportionately to the persons entitled thereto without discrimination or preference, except as specified in the Indenture; provided, however, that no payment of interest will be made with respect to any Bonds held by the Issuer or the Company, or actually known by the Trustee to be held by any affiliate of the Company or any nominee of the Issuer, until interest due on all Bonds not so held has been paid.

Third: In case the principal of any of the Outstanding Bonds has become due by declaration or otherwise and remains unpaid, first to the payment of principal of all Outstanding Bonds then due and unpaid, then to the payment of interest in default in the order of maturity thereof, and then to the payment of the premium thereon, if any; in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference, except as specified in the Indenture; provided, however, that no payment of principal or premium or interest will be made with respect to any Bonds held by the Issuer or the Company, or actually known by the Trustee to be held by any affiliate of the Company or any nominee of the Issuer, until all amounts due on all Bonds not so held have been paid.

### **Supplemental Indentures and Amendments to Agreement**

The Issuer and the Trustee, without the consent of or notice to any Bondholders from time to time and at any time, but with the consent of the Company and subject to the conditions and restrictions contained in the Indenture, may enter into an indenture or indentures supplemental to the Indenture, and the Trustee, without the consent of or notice to any Bondholders from time to time and at any time, may consent to any amendment to the Agreement; in each case for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Issuer contained in the Indenture, or of the Company contained in the Agreement, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for any of the Bonds, or to surrender any right or power therein reserved to or conferred upon the Issuer or the Company; provided, that no such covenant, agreement, assignment, pledge or surrender materially adversely affects the interests of the holders of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective

provision contained in the Indenture or the Agreement, or in regard to matters or questions arising under the Indenture or the Agreement, as the Issuer or the Trustee may deem necessary or desirable and not inconsistent with the Indenture and which does not materially adversely affect the interests of the holders of the Bonds;

(c) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any indenture supplemental thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute, and which will not adversely affect the interests of the holders of the Bonds;

(d) to provide for any additional procedures, covenants or agreements necessary to maintain the Tax-Exempt status of interest on the Bonds; provided that such amendment or supplement will not materially adversely affect the interests of the holders of the Bonds;

(e) to modify or eliminate the book-entry registration system for any of the Bonds;

(f) to provide for the procedures required to permit any Bondholder to separate the right to receive interest on the Bonds from the right to receive principal thereof and to sell or dispose of such rights, as contemplated by Section 1286 of the Code;

(g) to provide for the appointment of a co-trustee or the succession of a new Trustee, Registrar or Paying Agent;

(h) to change Exhibit A to the Agreement in accordance with the provisions thereof and of the Tax Agreement;

(i) to provide for a Credit Facility, if any, or substitute Credit Facility, if any;

(j) to comply with requirements of any Rating Agency in order to obtain or maintain a rating on any Bonds; or

(k) in connection with any other change which, in the judgment of the Trustee (which may be based upon an Opinion of Counsel), will not adversely affect the security for the Bonds or the Tax-Exempt status of interest thereon or otherwise materially adversely affect the holders of the Bonds.

Notwithstanding the foregoing provisions, the Trustee will not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but will not be obligated to, enter into such supplemental indenture, and the Trustee will not enter into any supplemental indenture or consent to any amendment to the Agreement without first obtaining the written consent of the Company.



With the consent of the Company and the holders of not less than 66-2/3% in aggregate principal amount of the Bonds at the time Outstanding, (i) the Issuer and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; or (ii) the Trustee may consent to any amendment to the Agreement and any other matters for which its consent is required pursuant to the Indenture; provided, however, that no such supplement or amendment will have the effect of extending the time for payment or reducing any amount due and payable by the Company pursuant to the Agreement without the consent of all the holders of the Bonds; and that no such supplemental indenture will (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Bond so affected, or (2) reduce the aforesaid percentage of holders of Bonds whose consent is required for the execution of such supplemental indentures, or permit the creation of any lien on the Revenues prior to or on a parity with the lien of the Indenture, except as permitted in the Indenture, or permit the creation of any preference of any Bondholder over any other Bondholder, except as permitted in the Indenture, or deprive the holders of the Bonds of the lien created by the Indenture upon the Revenues, without the consent of the holders of all the Bonds then Outstanding.

Promptly after the execution by the parties thereto of any supplemental indenture or amendment to the Agreement as described above under this caption, the Trustee will mail a notice (prepared by the Company) setting forth in general terms the substance of such supplemental indenture or such amendment to the Agreement to each Bondholder at the address contained in the bond register maintained by the Registrar and to the applicable Rating Agencies. Any failure of the Trustee to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplemental indenture or such amendment.

#### **THE SERIES 2004 FIRST MORTGAGE BONDS**

*Each series of the Series 2004 First Mortgage Bonds is a separate series, but contains substantially the same terms and provisions as the other series. An event of default with respect to either series of the Series 2004 First Mortgage Bonds will constitute an event of default under the Company Indenture and will result in all outstanding First Mortgage Bonds, including the other series of Series 2004 First Mortgage Bonds, being in default. The following description discusses the general terms and provisions of the Company's First Mortgage Bonds, including the series of the Series 2004 First Mortgage Bonds that has been pledged to the Trustee to secure payments with respect to the related series of Bonds. The First Mortgage Bonds have been issued under the Company Indenture.*

*The Company Indenture contains the full legal text of the matters described in this section. Because this section is a summary, it does not describe every aspect of the First Mortgage Bonds or the Company Indenture. This summary is subject to and qualified by all the provisions of the Company Indenture, including definitions of terms used in the Company Indenture. A copy of the Company Indenture may be obtained upon request to the Company, or through the Internet, as described in APPENDIX A.*

## **General**

Before issuing the Series 2004 First Mortgage Bonds, the Company specified the terms of the Series 2004 First Mortgage Bonds through a board or executive committee resolution, an officer's action, or a supplemental indenture. Each series of the Series 2004 First Mortgage Bonds were issued in the principal amount and mature on the maturity date of the series of Bonds it secures and bears interest at the same rate or rates, payable at the same times, as the related series of Bonds. Each series of the Series 2004 First Mortgage Bonds is registered in the name of and owned and held by the Trustee for the benefit of the owners of the related series of Bonds and is not transferable except to a successor Trustee under the related Indenture.

In the event of the mandatory redemption, unconditional optional or extraordinary optional redemption, or acceleration of the Bonds of a series, the Company is required to redeem the related series of Series 2004 First Mortgage Bonds in a principal amount equal to the principal amount of the Bonds to be paid.

The Company's obligation to make any payment of the principal of or premium, if any, or interest on the Series 2004 First Mortgage Bonds of each series, whether at maturity, upon redemption or acceleration, or otherwise, will be reduced by the amount of any reduction under the related Indenture of the corresponding payment of principal of, premium if any, or interest on the related series of Bonds.

## **Security**

The Series 2004 First Mortgage Bonds, as to the security afforded by the Company Indenture, are secured equally and ratably with all the Company's other First Mortgage Bonds by a legally valid first lien or charge on substantially all of the property and franchises now owned by the Company (with exceptions and exclusions noted below). Such lien and the Company's title to its properties are subject to the terms of franchises, licenses, easements, leases, permits, contracts and other instruments under which properties are held or operated, statutes and governmental regulations, liens for taxes and assessments, and liens of the First Mortgage Trustees. In addition, such liens and the Company's title to its properties are subject to other liens, prior rights and other encumbrances, none of which, with minor or insubstantial exceptions, affects from a legal standpoint the security for the First Mortgage Bonds or the Company's rights to use such properties in its business, unless the matters with respect to the Company's interest in the Four Corners Generating Station, a coal-fired electric generating plant located in San Juan County, New Mexico (the "Four Corners Generating Station") and the related easement and lease referred to in the following paragraph may be so considered.

The Company's rights and the rights of the First Mortgage Trustees in the Four Corners Generating Station, located on land of the Navajo Nation under an easement from the United States and a lease from the Navajo Nation, may be subject to possible defects, including possible conflicting grants or encumbrances not ascertainable because of the absence of or inadequacies in the applicable recording law and the record systems of the Bureau of Indian Affairs and the Navajo Nation, the Company's possible inability to resort to legal process to enforce the Company's rights against the Navajo Nation without Congressional consent, possible

impairment or termination under certain circumstances of the easement and lease by the Navajo Nation, Congress, or the Secretary of the Interior, and the possible invalidity of the Company Indenture lien against the Company's interest in the easement, lease, and improvements at the Four Corners Generating Station. The Company cannot predict what effect, if any, such possible defects may have on the Company's interest in the Four Corners Generating Station.

The Company Indenture provides that property hereafter acquired (other than excepted kinds noted below) is to become subject to the lien of the Company Indenture. Such property may be subject to prior liens and other encumbrances.

Properties excepted from the lien of the Company Indenture include cash, accounts receivable, deposits, bills and notes, contracts, leases under which the Company is lessor, securities not specifically required to be pledged, office equipment, vehicles, and all materials, supplies and electric energy acquired or produced for sale, consumption or use in the ordinary conduct of business.

### **Special Trust Fund**

The Company is required to deposit in a special trust fund with The Bank of New York Mellon Trust Company, N.A., as trustee, on each May 1 and November 1, cash equal to 1-1/2% (subject to redetermination by agreement between the Company and The Bank of New York Mellon Trust Company, N.A. as trustee) of the aggregate principal amount of the First Mortgage Bonds and underlying bonds then outstanding (excluding certain bonds and underlying bonds, such as bonds called for redemption), less certain amounts paid or credited in respect of underlying bonds. The term "underlying bonds" is defined in the Company Indenture to mean any securities or other evidence of indebtedness secured by property subsequently acquired by the Company. Amounts in the special trust fund may, in general, be paid out for payment, redemption (at the redemption prices, including applicable premiums, set forth in the First Mortgage Bonds and subject to the limitation on refunding applicable to various series) or purchase of First Mortgage Bonds or underlying bonds, or to reimburse the Company for the acquisition of certain additional properties. The foregoing deposit requirement has not affected the Company's cash flow, because the cash deposited has been simultaneously offset by its payment to the Company to reimburse it for the acquisition of additional properties. Thus, there currently are no funds on deposit in the special trust fund.

### **Issue of Additional First Mortgage Bonds**

In general, additional First Mortgage Bonds, ranking equally and ratably with the then-outstanding First Mortgage Bonds, may be issued in principal amounts equal to the lesser of (i) the amount authorized under the net earnings test described below and (ii) the sum of the following:

- (a) Certain First Mortgage Bonds and underlying bonds acquired, redeemed or otherwise retired.

(b) Cash deposited to pay or redeem First Mortgage Bonds or underlying bonds.

(c) 66-2/3% of the net amount of additional property constructed or acquired by the Company and not theretofore used for other purposes under the Company Indenture, subject to certain restrictions.

(d) Cash deposited in an advance construction account with The Bank of New York Mellon Trust Company, N.A., as trustee (in certain events with such trustee's consent), to be withdrawn to reimburse the Company for 66-2/3% of unbonded additional property.

As of March 31, 2010, there were no First Mortgage Bonds acquired, redeemed or otherwise retired against which bonds might be issued under the Company Indenture pursuant to clause (a) above. The net amount of additional property against which First Mortgage Bonds might be issued under the Company Indenture pursuant to clause (c) above was approximately \$17.3 billion, resulting in the ability to issue \$11.5 billion of first mortgage bonds pursuant to clause (c) (i.e. \$17.3 billion x .6666 = \$11.5 billion). As of March 31, 2010, the Company had approximately \$6.9 billion of First Mortgage Bonds outstanding (including \$927 million of First Mortgage Bonds issued to secure pollution control bonds and such amount includes \$393 million of pollution control bonds that the Company repurchased but which remain outstanding).

Furthermore, in addition to the Company Indenture's bondable property requirement described in clause (c) above, the Company Indenture also provides that additional First Mortgage Bonds may not be issued unless the Company's net earnings (as defined in the Company Indenture) for twelve months shall have been at least two and one-half times (2.5x) the Company's total annual First Mortgage Bond interest charge. At March 31, 2010, under the net earnings test the Company could issue \$13.9 billion of additional First Mortgage Bonds (based on net earnings as of March 31, 2010). Notwithstanding the net earnings requirement, additional First Mortgage Bonds may be issued under the provisions referred to in (a) and (b) above under some circumstances involving, among other things, issuance of First Mortgage Bonds not bearing a higher interest rate than the First Mortgage Bonds to be retired, issuance of First Mortgage Bonds to pay or redeem First Mortgage Bonds maturing within two years, and issuance of First Mortgage Bonds on the basis of acquisition, redemption or other retirement of underlying bonds. Additional First Mortgage Bonds may not be issued under the provisions referred to in paragraphs (c) and (d) above during any period when indebtedness secured by a prior lien on acquired utility property has not been established as underlying bonds.

Other than the security afforded by the lien of the Company Indenture and restrictions on the issuance of additional bonds described above, there are no provisions of the Company Indenture which afford holders of the First Mortgage Bonds protection against the Company increasing the Company's ratio of total debt to total "bondable" assets.

### **Defaults and Other Provisions**

The Company Indenture provides that the following are defaults:

- default in payment of principal;
- default for 60 days in payment of interest or satisfaction of the special trust fund obligation;
- default under the Company's covenants and conditions in the Company Indenture or in the First Mortgage Bonds for 60 days after notice by The Bank of New York Mellon Trust Company, N.A., as trustee;
- certain acts of bankruptcy and certain events in bankruptcy, insolvency, receivership or reorganization proceedings; and
- the Company's failure to discharge or stay within 60 days any judgment against the Company for the payment of money in excess of \$100,000.

A California court may not strictly enforce certain of the Company's covenants contained in the Company Indenture or the First Mortgage Bonds or allow acceleration of the due date of the First Mortgage Bonds if it concludes that such enforcement or acceleration would be unreasonable under the then existing circumstances. However, acceleration would be available if an event of default occurs as a result of a material breach of a material covenant contained in the Company Indenture or the First Mortgage Bonds.

The Company Indenture and the Trust Indenture Act of 1939 require the Company to file with the First Mortgage Trustees documents and reports with respect to the absence of default and compliance with the terms of the Company Indenture annually and upon the authentication and delivery of additional First Mortgage Bonds, the release of cash or property, the satisfaction and discharge of the Company Indenture, or any other action requested to be taken by the First Mortgage Trustees at the Company's request.

The holders of a majority in principal amount of outstanding First Mortgage Bonds may require the First Mortgage Trustees to enforce the lien of the Company Indenture upon the happening (and continuance for the prescribed grace period, if any) of any of the defaults referred to above, and upon the indemnification of the First Mortgage Trustees to their reasonable satisfaction.

### **Concerning the First Mortgage Trustees**

The Bank of New York Mellon Trust Company, N.A and certain of its affiliates act as trustees for the Company's senior debt securities and certain pollution control bonds issued on the Company's behalf, including the Bonds. The Company maintains bank deposits with The Bank of New York Mellon Trust Company, N.A. and may borrow money from the bank from time to time.

Neither by the Company Indenture nor otherwise are the First Mortgage Trustees restricted from dealing in the First Mortgage Bonds as freely as though they were not the First Mortgage Trustees. However, the Trust Indenture Act provides that if a trustee acquires or has

acquired a conflicting interest, as defined in the Trust Indenture Act, and a default under the indenture occurs or has occurred, such trustee must within 90 days following the default eliminate such conflict, cure the default, or resign. The Trust Indenture Act provides that a trustee with an uncured conflict of interest will not be required to resign if it can show that the conflict will be cured or the default waived within a reasonable time and a stay of its duty to resign is not inconsistent with the interests of the holders of the outstanding securities. In certain cases, the Company Indenture and the Trust Indenture Act require the First Mortgage Trustees to share the benefit of payments received as a creditor after the beginning of the third month prior to a default.

### **Modification of the Company Indenture**

The holders of 80% in principal amount of all First Mortgage Bonds outstanding may authorize release of trust property, waive defaults and authorize certain modifications of the Company Indenture. However, the Company's obligation to pay principal and interest will continue unimpaired; and such modifications may not include, among other things, modifications giving any First Mortgage Bonds preference over other First Mortgage Bonds or authorizing any lien prior to that of the Company Indenture. In addition, modifications of rights of any series require the assent of the holders of 80% in principal amount of the First Mortgage Bonds of that series.

### **REOFFERING**

The Underwriters have agreed, jointly and severally, subject to certain conditions, to purchase the Bonds of each series at a purchase price equal to 100% of the principal amount thereof. The Company has agreed to pay to the Underwriters, in connection with the reoffering and sale of the Bonds, as consideration for their agreement to purchase the Bonds, a fee equal to \$722,000. In addition, the Company will reimburse the Underwriters for certain reasonable out-of-pocket expenses in connection therewith. The Company has also agreed to indemnify the Underwriters against certain liabilities or to contribute to any payments required to be made by the Underwriters relating to such liabilities, including liabilities under the federal securities laws. The Underwriters will be obligated to purchase all of the Bonds of each series if any of the Bonds of such series are purchased. The Underwriters may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering price stated on the cover page of this Reoffering Circular. After the initial public reoffering, the public offering price of the Bonds may be changed from time to time by the Underwriters.

Each of the Underwriters and/or their affiliates engages in transactions with and performs investment banking and other services for the Company and its affiliates from time to time in the ordinary course of business.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith

Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

#### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The consolidated financial statements and the related schedule of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their reports incorporated herein.

#### **TAX MATTERS**

On July 19, 2000, the date of issuance of the Bonds, Winthrop, Stimson, Putnam and Roberts ("Winthrop"), as bond counsel, delivered an opinion to the effect that as of such date interest on the Bonds was excluded from the gross income of the owners thereof for federal income tax purposes under then existing laws, regulations, rulings, judicial decisions and other authorities, except during any period that the Bonds are held by a "substantial user" of the facilities refinanced with the proceeds of the Bonds or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code, and that amounts so excluded were not treated as an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals, corporations and other taxpayers but that a portion of the interest on the Bonds owned by a corporation may be taken into account in determining its federal alternative minimum tax (the "Approving Opinion"). The Approving Opinion also stated that under then existing law, the Bonds and income therefrom were exempt from all taxation by the State of Arizona or any subdivision thereof. A copy of the Approving Opinion is attached hereto as APPENDIX B.

On March 1, 2004, Pillsbury Winthrop LLP ("Pillsbury"), as bond counsel, delivered opinions in connection with the adjustment of the interest rates on the Bonds on such date and the pledging to the Trustee of the Series 2004 First Mortgage Bonds (the "Conversions") to the effect that under then existing statutes, regulations, court decisions, rulings and other authorities the Conversions (a) were authorized or permitted by the Indentures and the Act, and (b) would not adversely affect the Tax-Exempt status of the interest on the Bonds (the "Pillsbury Opinions").

In rendering each of their opinions described above, Winthrop and Pillsbury relied upon (a) information furnished by the Company at the time each opinion was delivered, particularly written representations of officers of the Company with respect to certain material facts which were solely within their knowledge, relating, among other things, to the Project and the use of the proceeds of the Bonds and the prior bonds refunded with the proceeds of the Bonds, (b) representations and covenants of the Company made at such times with respect to the operation by the Company of the Project and (c) representations and covenants of the Issuer and the Company with respect to arbitrage and other matters. Neither Winthrop nor Pillsbury undertook any responsibility to, and did not, verify independently the accuracy of such information and representations or monitor the compliance by the Company or the Issuer, as the

case may be, with such covenants, but for purposes of their opinions assumed such accuracy and compliance.

Pillsbury has not been engaged in connection with the reoffering of the Bonds contemplated by this Reoffering Circular, including in connection with the execution and delivery of the supplemental indentures being undertaken in connection with such reoffering, and has expressed no opinion as of any date subsequent to March 1, 2004 with respect to the Bonds.

At the time the Company delivered its notice of adjustment of the interest rates on the Bonds to the Term Rate pursuant to the Indentures as described in this Reoffering Circular, Greenberg Traurig, LLP, as successor bond counsel (“Successor Bond Counsel”), rendered an opinion to the effect that such adjustments were authorized or permitted by the Indentures and the Act and would not adversely affect the Tax-Exempt status of the interest on the Bonds. A copy of the form of such opinion is included as APPENDIX C hereto. The Indentures require Successor Bond Counsel to confirm that such opinion has not been withdrawn or modified on the Adjustment Date. As indicated in such opinion, Successor Bond Counsel has not been requested, and has not undertaken, to make an independent investigation regarding the expenditure of Bond proceeds, to confirm that the Company and the Issuer have complied with the covenants, certifications and representations in the Agreements or the Tax Agreements, or to review any other events which may have occurred since Winthrop rendered the Approving Opinion or since Pillsbury rendered the Pillsbury Opinions which might affect the Tax-Exempt status of the interest on the Bonds or which might change the opinions expressed in the Approving Opinion or in either of the Pillsbury Opinions. Successor Bond Counsel assumed the accuracy of the Approving Opinion and the Pillsbury Opinions and did not verify such accuracy and also expressed no opinion with respect to (i) whether the proceeds of the Bonds have been used in the required manner, or the status of the Project; (ii) the enforceability of either Indenture or Agreement against the parties thereto, or the compliance by the Issuer or the Company with the terms and provisions of either Indenture, Agreement or any other document executed in connection with the issuance of the Bonds; (iii) any governmental approvals, consents or authorizations that may be required in connection with the original or any subsequent purchase or sale of the Bonds; or (iv) the exclusion from gross income for federal or state income tax purposes of the interest on the Bonds (except to the effect that the adjustments of the interest rates on the Bonds on the Adjustment Date would not adversely affect the Tax-Exempt status of the interest on the Bonds).

#### **CONTINUING DISCLOSURE AGREEMENT**

Pursuant to SEC Rule 15c2-12, as amended (the “Rule”), and unless exempt thereunder, the issuer of municipal securities, or an obligated person, must undertake to provide certain annual financial and other information to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System (“EMMA”) on an ongoing basis. The Company has agreed to comply with the requirements of the Rule with respect to the Bonds which include, among other things, entering into an undertaking to provide:

- (a) to EMMA a copy of the Company’s Annual Report on Form 10-K for each fiscal year (or a notice incorporating the same by reference), or in the event that the



Company no longer files such reports with the SEC, such annual financial information and audited financial statements as will satisfy the Rule; and

(b) to EMMA notices of the occurrence of various events with respect to the Bonds, including, without limitation, defaults, the substitution of credit or liquidity facilities, adverse tax opinions or events affecting the tax-exempt status of the Bonds, modifications to rights of security holders, redemptions and defeasances, rating changes, and the failure to provide annual financial information.

See “Available Information” and “Incorporation of Certain Documents by Reference” in APPENDIX A hereto.

The Company will represent to the Underwriters that it is in compliance with all previous undertakings made by it pursuant to Section (b)(5) of the Rule. The Issuer is not an obligated person under the Rule and is not required to provide continuing disclosure information with respect to itself or the Bonds.

#### **CERTAIN LEGAL MATTERS**

Certain legal matters will be passed upon by Greenberg Traurig, LLP, which has been retained by, and acts as Bond Counsel to, the Company with respect to the reoffering of the Bonds. The form of the opinion of Bond Counsel delivered in connection with the notice of the Company of the adjustment of the interest rates on the Bonds is set forth as APPENDIX C to this Reoffering Circular. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Reoffering Circular or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Reoffering Circular, except that in its capacity as Bond Counsel, Greenberg Traurig, LLP has, at the request of the Company reviewed statements describing opinions it has delivered and expects to deliver with respect to the Bonds and under the captions “THE BONDS” (except information relating to DTC and its Book-Entry Only System), “THE AGREEMENTS” and “THE INDENTURES” solely to determine whether such information is accurate in all material respects. This review was undertaken solely at the request and for the benefit of the Underwriters.

Certain legal matters will be passed upon for the Company by Barbara E. Mathews, Esq., Vice President, Associate General Counsel, Chief Governance Officer and Corporate Secretary of the Company. As to certain matters governed by Arizona law, the Company will rely on an opinion of Steptoe & Johnson LLP, special Arizona counsel to the Company. Certain legal matters will be passed upon for the Issuer by Ryley Carlock & Applewhite, a professional corporation, Phoenix, Arizona, counsel to the Issuer. Certain legal matters will be passed upon for the Underwriters by Dewey & LeBoeuf LLP. Dewey & LeBoeuf LLP represents certain affiliates of the Company from time to time.

The California Public Utilities Code (the “Utilities Code”) requires (with certain exceptions) that the Company obtain authorization of the California Public Utilities Commission (“CPUC”) in order to issue securities, and provides that securities issued without such an order then in effect are void. Section 1708 of the Utilities Code further provides that the CPUC may at

any time, upon notice and opportunity for hearing, rescind, alter or amend any order and that any order rescinding, altering or amending a prior order will have the same effect as an original order. The Company obtained an order of the CPUC authorizing the execution and delivery by the Company of the Agreement and the issuance and delivery by the Company of the Series 2004 First Mortgage Bonds. However, in recognition of the ambiguities in the Utilities Code, the legal opinion of Barbara E. Mathews, Esq. referred to above, which covers, among other things, the validity of the Company's obligations under the Agreements and the Series 2004 First Mortgage Bonds, is subject to her statement therein that no opinion is expressed as to the possible effect of Section 1708 of the Utilities Code. The Company believes that the CPUC has no reason to initiate proceedings to rescind, alter or amend the aforesaid financing order in any respect. Furthermore, the Company is not aware of any instance in which the CPUC has attempted to rescind, alter or amend a financing order in a manner that would adversely affect the validity of outstanding securities.

This Reoffering Circular has been duly approved and delivered by the Company. The Company neither has nor assumes any responsibility as to the accuracy or completeness with respect to the information under the captions "THE ISSUER," "THE BONDS—Book-Entry Only System," "TAX MATTERS" and "REOFFERING."

## **APPENDIX A**

### **SOUTHERN CALIFORNIA EDISON COMPANY**

#### **AVAILABLE INFORMATION**

Southern California Edison Company (the “Company”) is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “Commission”). Such reports, proxy statements and other information on file can be inspected and copied at the public reference facilities maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549. Information about the operation of the public reference room can be obtained by calling the Commission at 1-800-SEC-0330. The Company’s filings with the Commission are also available to the public at the Commission’s web site at <http://www.sec.gov>. In addition, reports, proxy statements and other information concerning the Company can be inspected at the American Stock Exchange or on the web site of the Company’s parent, Edison International, at <http://www.edison.com>.

#### **INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The Annual Report on Form 10-K for the year ended December 31, 2009, the Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and the Current Reports on Form 8-K dated March 5, March 11 and April 22, 2010 filed with the Commission by the Company are incorporated by reference in this APPENDIX A to this Reoffering Circular.

All documents subsequently filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of the reoffering of the Bonds shall be deemed to be incorporated by reference in this APPENDIX A to this Reoffering Circular and to be a part hereof from the date of filing such documents.

The Company hereby undertakes to provide without charge to each person to whom a copy of this Reoffering Circular has been delivered, on the written or oral request of any such person, a copy of any and all of the documents referred to above which have been or may be incorporated by reference in this APPENDIX A to this Reoffering Circular other than exhibits to such documents. The Company will also provide a copy of the Company Indenture upon request. Written requests for such copies should be directed to: Southern California Edison Company, P.O. Box 800, Rosemead, California 91770, Attention: Corporate Governance. Oral requests should be directed to 626-302-2662.

#### **THE COMPANY**

The Company was incorporated in 1909 under the laws of the State of California. The Company is a public utility primarily engaged in the business of supplying electric energy to a 50,000 square-mile area of central, coastal and southern California, excluding the City of Los Angeles and certain other cities. The Company’s service territory includes approximately 400 cities and communities and a population of more than 13 million people. The mailing

address and telephone number of the Company are, respectively, P.O. Box 800, Rosemead, California 91770 and 626-302-1212.

All of the Company's common stock is owned by Edison International ("EIX"). EIX is a publicly held company and files periodic reports and other documents with the Commission. EIX is a holding company whose subsidiaries include the Company, Edison Mission Energy, an independent power producer that also files reports and other documents with the Commission, and Edison Capital, an infrastructure finance company.

APPENDIX B

OPINION OF BOND COUNSEL DATED JULY 19, 2000

WINTHROP, STIMSON, PUTNAM & ROBERTS

1133 CONNECTICUT AVENUE, N.W.  
WASHINGTON, DC 20036  
TELEPHONE: 202-775-9800  
TELEFAX: 202-833-8491

695 EAST MAIN STREET  
STAMFORD, CT 06904-8760  
TELEPHONE: 203-348-2300  
TELEFAX: 203-965-8226

125 WORTH AVENUE  
PALM BEACH, FL 33480  
TELEPHONE: 561-655-7297  
TELEFAX: 561-833-6726

ONE BATTERY PARK PLAZA  
NEW YORK, NY 10004-1490

TELEPHONE: 212-858-1000  
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July 19, 2000

2 THROGMORTON AVENUE  
LONDON EC2N 2DG ENGLAND  
TELEPHONE: 011-44171-628-4931  
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6-7, ATAGO I-CHOE  
MINATO-KU, TOKYO 105-0002, JAPAN  
TELEPHONE: 011-813-3437-9740  
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2505 ASIA PACIFIC FINANCE TOWER  
CITIBANK PLAZA  
3 GARDEN ROAD, CENTRAL, HONG KONG  
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6 BATTERY ROAD  
#38-01B, SINGAPORE  
TELEPHONE: 011-65-227-4700  
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Maricopa County, Arizona  
Pollution Control Corporation  
101 North First Avenue  
Suite 2700  
Phoenix, AZ 85003

\$144,400,000 Maricopa County, Arizona Pollution Control Corporation  
Pollution Control Revenue Refunding Bonds (Southern California Edison Company)  
2000 Series A and B

Ladies and Gentlemen:

We have been asked to render our opinion with respect to the above-captioned bonds. In that connection, we have examined a record of proceedings of Maricopa County, Arizona Pollution Control Corporation (the "Issuer"), a nonprofit corporation of, and pursuant to Chapter 69, Laws of 1972 of the State of Arizona, as amended, being Arizona Revised Statutes Title 35, Chapter 6, as amended (the "Act"), a political subdivision of, the State of Arizona, in conjunction with the Issuer's authorization, execution and delivery of its \$144,400,000 aggregate principal amount Pollution Control Revenue Refunding Bonds (Southern California Edison Company) 2000 Series A and B (the "Bonds").

Each series of the Bonds is being issued under and pursuant to the Constitution and laws of the State of Arizona, including, particularly, the Act, and under and pursuant to a separate Indenture of Trust, each dated as of June 1, 2000 (individually, an "Indenture" and collectively, the "Indentures"), each by and between the Issuer and The Bank of New York, as trustee (the "Trustee"). All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto by the Indenture.

The Bonds are being issued to provide funds to refund \$144,400,000 aggregate principal amount of the Issuer's Adjustable Tender Pollution Control Revenue Refunding Bonds, 1985 Multiple Series (Southern California Edison Company Palo Verde Project) (the "Prior Bonds") which were issued on August 22, 1985 to provide funds to refinance a portion of the cost of acquiring, constructing, reconstructing, improving, maintaining,

equipping or furnishing certain air and water pollution control facilities (the "Project") at the Palo Verde Nuclear Generating Station, an electric generating plant located in Maricopa County, Arizona. The proceeds of each series of the Bonds will be loaned to Southern California Edison Company (the "Company") pursuant to a separate Loan Agreement, each dated as of June 1, 2000, each between the Issuer and the Company (individually, an "Agreement" and collectively, the "Agreements").

The Bonds are dated and are payable as provided in the related Indenture and mature on June 1, 2035. The Bonds are subject to redemption prior to their maturity in the manner and upon the terms and conditions set forth in the related Indenture. The Bonds are being issued in fully registered form without coupons.

We have reviewed the Indentures, the Agreements, tax agreement of the Issuer, the Company and the Trustee (the "Tax Agreement"), and such matters of law and fact as we deemed necessary to enable us to render this opinion. Except as expressly stated hereinafter, we have assumed due authorization, execution and delivery by the parties of such documents and the valid and binding nature thereof with respect to such parties. In particular, we have relied on the opinions, dated this date, of an Assistant General Counsel of the Company, counsel to the Company ("Company Counsel") and of Steptoe & Johnson LLP, special Arizona counsel to the Company, as to the due authorization, execution, and delivery of the Agreement by the Company and the valid and binding nature and effect thereof with respect to the Company.

The Issuer has covenanted in the Indentures that it will not use the proceeds of the Bonds in such a manner or take or omit to take any actions, which would cause the Bonds to be subject to federal income taxation. In the Agreements, the Company has also covenanted that it has not taken or permitted and will not take or permit any action which results in interest paid on the Bonds being included in gross income of the holders or beneficial owners of the Bonds for purposes of federal income taxation. The opinions herein are expressed only on and as of the date hereof, and are based on existing laws, regulations, rulings, judicial decisions and other authorities, as in effect on the date hereof ("Existing Law"). Changes to Existing Law may occur hereafter, and could have retroactive effect. The opinions herein do not address the effect, if any, of such subsequent changes. The opinions herein also do not address the effect, if any, of actions taken or omitted or events occurring after the date hereof, differing from those reflected in the Tax Agreement. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur. We have assumed compliance with the aforementioned covenants. In addition, we have relied on the material accuracy of statements of fact and expectation set forth in the Tax Agreement, which we have made no effort independently to verify.

The Indentures and the Agreements provide that certain actions may not be taken (or omitted) unless there shall have been delivered the opinion of bond counsel to the effect that such actions will not adversely affect the exclusion of the interest on the Bonds from gross income for purposes of federal income taxation. We express no opinion herein

on the effect, if any (on the exclusion of interest on the Bonds from the gross income of the owners thereof), of taking any such actions (or omitting to do so), or of effecting any other changes concerning the Bonds, including the use of the proceeds thereof, or the nature or use of the Project.

The Internal Revenue Code of 1986, as amended (the "Code") and the Internal Revenue Code of 1954, as amended (the "1954 Code"), set forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order for interest thereon to be and remain excluded from the gross income of the owners thereof for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for Federal income tax purposes retroactive to the date of issuance of the Bonds. The Issuer and the Company have covenanted in the Indentures and the Agreements, as described above, to maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for Federal income tax purposes pursuant to Section 103(a) of the Code and the 1954 Code.

Based on and subject to the foregoing, under Existing Law, we are of the following opinions:

- (i) The Indentures are authorized and permitted by the Act and comply with its terms, and all conditions precedent to the execution, delivery and performance of the Indentures by the Issuer have been satisfied.
- (ii) The Bonds are the legal, valid and binding obligations of the Issuer enforceable in accordance with their terms and the terms of the related Indenture, and are entitled to the benefits of the related Indenture and the Act. The Bonds are special obligations of the Issuer payable solely from and secured by a pledge of revenues derived from or in connection with the related Agreement and the other funds pledged pursuant to the related Indenture.
- (iii) Assuming compliance with the aforementioned covenants and the accuracy of representations in the Tax Agreement, interest on the Bonds is excluded from the gross income of the owners thereof for Federal income tax purposes under Existing Law, by reason of Section 103(a) of the Code and the 1954 Code, except during any period that the Bonds are held by a "substantial user" of the facilities refinanced with the proceeds of the Bonds or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code, and amounts so excluded are not treated as an item of tax preference under Section 57 of the Code for purposes of computing the Federal alternative minimum tax imposed on individuals, corporations and other taxpayers. However, we observe that a portion of the interest on the Bonds owned by a corporation (as determined for federal income tax purposes) may be taken into account in determining its Federal alternative minimum tax; and

- (iv) Pursuant to the Act, the Bonds and income therefrom are exempt from all taxation by the State of Arizona or any subdivision thereof.

Except as stated in paragraphs (iii) and (iv), we express no opinion as to Federal or State of Arizona tax consequences of the ownership of the Bonds, including whether interest on the Bonds is: (a) included in the calculation of the amount subject to the "branch-level" tax imposed by Section 884 of the Code upon the earnings of certain foreign corporations engaged in a trade or business within the United States, or (b) included in the income of certain Subchapter S corporations for purposes of the tax imposed thereon by Section 1375 of the Code. We also express no opinion as to any other federal, state, local or any foreign tax consequences with respect to acquisition, ownership or disposition of the Bonds.

The opinions contained herein are limited to the extent that the enforceability of the Bonds, may be limited by any applicable bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights generally, and no opinion is expressed as to the availability of any particular remedy.

Very truly yours,

*Wentkiop, Stearns, Putman  
and Roberts*



**APPENDIX C**

**FORM OF ADJUSTMENT OPINION OF SUCCESSOR BOND COUNSEL**

May 18, 2010

The Bank of New York Mellon, as Trustee  
385 Rifle Camp Road, 3rd Floor  
West Paterson, New Jersey 07424  
Attention: David J. O'Brien,  
Corporate Trust Services

\$144,400,000  
Maricopa County, Arizona Pollution Control Corporation  
Pollution Control Revenue Refunding Bonds  
(Southern California Edison Company) 2000 Series A and B

Ladies and Gentlemen:

Each series of the above-referenced bonds (the "Bonds") was issued by the Maricopa County, Arizona Pollution Control Corporation (the "Issuer") on July 19, 2000 under the terms of a separate Indenture of Trust, dated as of June 1, 2000, as amended to the date hereof (individually, an "Indenture" and, together, the "Indentures"), between the Issuer and The Bank of New York Mellon (formerly The Bank of New York), as Trustee (the "Trustee"). We have been advised by Southern California Edison Company (the "Company") that (i) the Bonds currently bear interest at Weekly Rates for a Weekly Rate Period that commenced on March 2, 2009, (ii) payment of the principal of, and interest and premium, if any, on, each series of the Bonds is secured by a pledge of a separate series of First and Refunding Mortgage Bonds (individually and together, the "Series 2004 First Mortgage Bonds") issued by the Company on March 1, 2004, and (iii) each separate Remarketing Agreement, dated March 2, 2009 with respect to a series of the Bonds between the Company and the Remarketing Agent named therein, is still in effect but the Company has notified such Remarketing Agent that it is removed as Remarketing Agent for each series of the Bonds effective upon the hereinafter defined Adjustment Date. We have been advised by the Trustee that no Event of Default has occurred and is continuing under either Indenture. All capitalized terms used herein with respect to a series of Bonds and not defined herein shall have the meanings given them in the Indenture pursuant to which such series was issued.

We have been provided with an executed copy of a written notice of the Company of even date herewith to the Issuer, the Trustee, the Paying Agent and the Remarketing Agent pursuant to Section 2.01(c)(iv)(B) of each Indenture (the "Company Notice") that it has elected that the Bonds of each series shall bear interest at a Term Rate commencing on the date

determined as provided therein (the “Adjustment Date”). We have been requested to provide the opinion of Bond Counsel required by Section 2.01(c)(iv)(B) of each Indenture.

In that regard, we have examined the Company Notice, the Indentures, the Agreements and such other certificates, documents and matters of law as we have deemed necessary. Based upon and subject to the foregoing, and in reliance thereon, we are of the opinion that, under existing law, the adjustment of the interest rate on the Bonds of each series to the Term Rate on the Adjustment Date (1) is authorized or permitted by the Indenture pursuant to which the related series was issued and the Act and (2) will not, in and of itself, adversely affect the Tax-Exempt status of interest on such Bonds.

At the time of issuance of the Bonds, Winthrop, Stimson, Putnam & Roberts (“Winthrop”) rendered an approving opinion dated July 19, 2000 to the effect, among other things, that interest on the Bonds was then excluded from the gross income of the owners thereof for federal income tax purposes, except during any period that the Bonds are held by a “substantial user” of the facilities refinanced with the proceeds of the Bonds or a “related person” (within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended), and amounts so excluded are not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended, for purposes of computing the federal alternative minimum tax imposed on individuals, corporations and other taxpayers; however, a portion of the interest on the Bonds owned by a corporation may be taken into account in determining its federal alternative minimum tax (the “Approving Opinion”). As indicated in the Approving Opinion, Winthrop assumed compliance with certain covenants made by the Issuer and the Company to satisfy pertinent requirements of law.

On March 1, 2004, Pillsbury Winthrop LLP (“Pillsbury”), as bond counsel, delivered opinions in connection with the adjustment of the interest rates on the Bonds on such date and the pledging to the Trustee of the Series 2004 First Mortgage Bonds to support payments due from the Company under the Agreements (the “Conversions”) to the effect that under then existing statutes, regulations, court decisions, rulings and other authorities the Conversions (a) were authorized or permitted by the Indentures and the Act, and (b) would not adversely affect the Tax-Exempt status of the interest on the Bonds (the “Pillsbury Opinions”).

We have not been requested, nor have we undertaken, to make an independent investigation regarding the expenditure of Bond proceeds, to confirm that the Company and the Issuer have complied with the covenants, certifications and representations in the Agreements or the Tax Agreements, or to review any other events which may have occurred since Winthrop rendered the Approving Opinion or since Pillsbury rendered the Pillsbury Opinions which might affect the Tax-Exempt status of the interest on the Bonds or which might change the opinions expressed in the Approving Opinion or in either of the Pillsbury Opinions. We have assumed the accuracy of the Approving Opinion and the Pillsbury Opinions and we have not verified such accuracy. Further, without limiting the generality of the foregoing, we express no opinion with respect to (i) whether the proceeds of the Bonds have been used in the required manner, or the status of the Project; (ii) the enforceability of either Indenture or Agreement against the parties thereto, or the compliance by the Issuer or the Company with the terms and provisions of either Indenture, Agreement or any other document executed in connection with the issuance of the

Bonds; (iii) any governmental approvals, consents or authorizations that may be required in connection with the original or any subsequent purchase or sale of the Bonds; (iv) the exclusion from gross income for federal or state income tax purposes of the interest on the Bonds (except as specifically set forth in the immediately preceding paragraph); or (v) the accuracy, completeness or sufficiency of any disclosure material relating to the Bonds, including any disclosure material utilized in connection with the offer and sale of the Bonds related to the adjustment of the interest rate on the Bonds to the Term Rate on the Adjustment Date. The opinions expressed herein are accordingly limited to those specifically stated in the immediately preceding paragraph.

This opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and it is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. This opinion is furnished solely for your information and benefit in connection with the adjustment of the interest rate on the Bonds to the Term Rate on the Adjustment Date, and may not be relied upon by any other person.

Respectfully submitted,

