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Decision 99-06-007 June 3, 1999

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of SOUTHERN CALIFORNIA
EDISON COMPANY and SAN DIEGO GAS
AND ELECTRIC COMPANY for the Nuclear
Decommissioning Cost Triennial Proceeding to
set Contribution Levels for the Companies'
Nuclear Decommissioning Trust Funds and
Address Other Related Decommissioning Issues.

Application 98-12-025
(Filed December 21, 1998)

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O P I N I O N

Summary

In this decision we approve a settlement proposed by Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), the Office of Ratepayer Advocates (ORA), and The Utility Reform Network (TURN). We authorize annual revenue requirements for contributions to the Nuclear Decommissioning Trust Funds (Trusts) of \$25 million and \$5 million for SCE and SDG&E respectively. We authorize the decommissioning of San Onofre Nuclear Generating Station Unit 1 (SONGS 1) and amendment of the Master Trust Agreements (MTAs) to facilitate timely availability of the funds to pay the costs of decommissioning. We also adopt the utilities' decommissioning cost estimates, authorize the utilities to retain tax benefits associated with SONGS 1 decommissioning, and authorize the utilities to continue collecting shutdown operations and maintenance (O&M) expenses for SONGS 1 until the spent fuel is put in dry storage. Additionally, we authorize a procedure for review of the costs incurred in decommissioning SONGS 1.

I. Background

On December 21, SCE and SDG&E (referred to jointly as Applicants) jointly filed Application (A.) 98-12-025. The purpose of the application was to set the contribution levels for Applicants' Trusts, and to address other related decommissioning issues.

On February 5, 1999, ORA and TURN filed protests of the application.

On February 9, 1999, Applicants served errata to the testimony filed with their application.

On February 16, 1999, Applicants filed a joint response to the protests.

On February 19, 1999, a prehearing conference was held.

On March 8, 1999, Applicants, ORA, and TURN filed a joint motion seeking adoption of a Settlement Agreement (Settlement). No comments on the Settlement were received.

II. Overview of the Application

By Ordering Paragraph 7 of Decision (D.) 95-07-055, we ordered Applicants to file their joint application for the first Nuclear Decommissioning Cost Triennial Proceeding (NDCTP). This application complies with our order.

The purpose of the NDCTP is to set the contribution levels for Applicant's Trusts for the three year period beginning January 1, 2000. The Trusts are for Applicants' ownership shares of San Onofre Nuclear Generating Station Units 1, 2, and 3 (SONGS 1, 2, and 3) and Palo Verde Nuclear Generating Station Units 1, 2, and 3 (Palo Verde 1, 2, and 3). SCE owns 80% of SONGS 1 and 75.05% of SONGS 2 and 3. SCE is the operating agent. SCE is a non-operating owner of 15.8% of Palo Verde 1, 2, and 3. SDG&E owns 20% of SONGS 1, 2, and 3.

Applicants also requested authority to access the SONGS 1 Trusts in order to begin decommissioning SONGS 1. Applicants proposed that no further contributions to the SONGS 1 Trust are needed. Applicants further proposed a procedure to ensure cost-effective completion of SONGS 1 decommissioning.

III. Procedural Matters

In Resolution ALJ 176-3008, dated January 20, 1999 we preliminarily categorized this application as ratesetting and preliminarily determined that hearings would be necessary. In the Scoping Memo and Assigned Commissioner's Ruling, dated February 25, 1999, these determinations were confirmed. The scoping memo designated the assigned Administrative Law Judge (ALJ) as the principal hearing officer. Since the proposed Settlement is unopposed, we now determine that hearings are not necessary.

As a result of the settlement, this is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is waived.

IV. The Application

We summarize the Applicants' request below.

A. Methodology for Calculating Trust Contributions

Applicants each have a qualified and a non-qualified master trust. Qualified trusts hold decommissioning funds that result from contributions that qualify for an income tax deduction under Section 468A of the Internal Revenue Code. Nonqualified trusts hold decommissioning funds that result from all other contributions. Within each master trust are separate trust accounts for each of the nuclear generating station units. All decommissioning funds for Palo Verde are held in a qualified trust.

The annual decommissioning contribution amount is determined using the following annuity calculation:

$$\text{Annual Expense} = [((Q \times C) - P_q) \times (R_q / (1 + R_q)^{RL} - 1))] + [((N \times C) - P_n) \times (R_n / (1 + R_n)^{RL} - 1)],$$

where:

Q = qualified percent

C = total future cost to decommission in retirement year
Dollars

P_q = qualified trusts liquidation market value as of 9/30/98
in retirement year dollars

R_q = qualified rate of return (%)

RL = remaining life of nuclear reactor (years)

N = nonqualified percent

Pn = nonqualified trusts liquidation market value as of
9/30/98 in retirement year dollars

Rn = nonqualified rate of return (%)

The key elements of the calculation are (1) the decommissioning cost estimate in current dollars, (2) the escalation of the decommissioning costs, and (3) the after-tax rates of return on the trusts. The decommissioning cost estimate and escalation are used to compute C, the total future costs of decommissioning.

B. Nuclear Decommissioning Cost Estimates

Applicants' nuclear decommissioning cost estimates, in 1998 dollars, were developed based on site specific studies performed by TLG Services, Inc. The estimates are as follows:

Line No.	San Onofre Nuclear Generating Station	100% Share, 1998 \$ \$ x 1,000
1	Unit 1	458,772
2	Unit 2	731,923
3	Unit 3	892,366
4	TOTAL	2,083,061

Line No.	Palo Verde Nuclear Generating Station	SCE Share, 1998 \$ \$ x 1,000
1	Unit 1	107,082
2	Unit 2	112,372
3	Unit 3	129,363
4	TOTAL	348,817

Applicants reconcile the decommissioning cost estimates to those in SCE's 1995 general rate case (GRC) as follows:

**Applicants' Reconciliation of SONGS and Palo Verde Decommissioning
Estimates 1998 Estimates vs. 1995 GRC**

Line No.		Thousands of 1998 \$		
		SONGS 1 (100% Share)	SONGS 2 & 3 (100% Share)	Palo Verde (SCE Share)
1	1998 Decommissioning Cost Estimate/Request	458,772	1,624,289	348,817
2	1995 GRC Decommissioning Cost Estimate	<u>319,826</u>	<u>1,529,505</u>	<u>477,637</u>
3	CHANGE	138,946	94,784	(128,820)
4	Reconciliation:			
5	Dismantling Activities	93,976	41,283	(6,817)
6	Post-Shutdown Spent Fuel Storage	44,520	(35,930)	12,525
7	Low-Level Radioactive Waste Burial	450	89,431	(72,275)
8	Contingency	Included Above	Included Above	(62,253)
9	CHANGE	138,946	94,784	(128,820)

1. SONGS 1

The SONGS 1 decommissioning cost estimate increased by \$138,946,000 from the cost estimate in SCE's 1995 GRC. Approximately \$93,976,000 of this increase is due to increased staffing and removal costs associated with a 20-month increase in the estimated duration of dismantling

activities. In the 1995 GRC cost estimate, SCE estimated that the decontamination, removal, and disposal of all contaminated and non-contaminated SONGS 1 systems, components, structures, and buildings would be completed in 60 months.

The current cost estimate assumed that the decontamination, removal, and disposal of all contaminated and non-contaminated SONGS 1 systems, components, structures, and buildings would be completed in 80 months. The increase in the cost to perform the dismantling activities is due primarily to the increased staffing and removal cost requirements necessitated by the 20-month increase. These increased costs are attributable to TLG's revised cost estimating methodologies based on experiences gained at other nuclear decommissioning projects.

SCE attributes an additional \$44,520,000 of the increase to the inclusion of construction and monitoring costs for a dry storage facility for SONGS 1 spent fuel. SCE did not include the cost to construct a dry storage facility for the SONGS 1 spent fuel, or to transfer the fuel from wet to dry storage, in its 1995 GRC cost estimate. Because the SONGS 1 spent fuel may remain onsite until at least 2024, failure to place all SONGS 1 spent fuel stored onsite into dry storage would inappropriately constrain and delay SONGS 1 decommissioning. SCE asserts that the cost to place all SONGS 1 spent fuel stored onsite into dry storage is, therefore, a necessary and appropriate decommissioning cost.

The \$450,000 cost increase for Low Level Radioactive Waste (LLRW) burial is due to the increased burial cost at Ward Valley. The estimated decrease in the volume of SONGS 1 decommissioning LLRW requiring disposal partially offset the burial cost increase. The costs associated with

decommissioning SONGS 1, excluding LLRW burial cost, include the application of a 40% contingency factor.

2. SONGS 2 & 3

The current SONGS 2 & 3 decommissioning cost estimate increased by \$94,784,000 above the previous cost estimate. Nearly \$41,283,000 of this increase is attributed to TLG's revised techniques for estimating the costs of dismantling activities.¹ The estimated duration of SONGS 2 & 3 dismantling activities is similar to the duration projected in previous estimates. These increased costs are attributable to TLG's revised cost estimating methodologies based on experience gained at other nuclear decommissioning projects.

The estimated cost to construct and monitor a dry fuel storage facility for SONGS 2 & 3 decreased by \$35,930,000. This decrease is due primarily to improved information regarding dry storage costs. The estimated dry storage cost for the SONGS 2 & 3 spent fuel in the current SONGS 2 & 3 decommissioning cost estimate is less than the levels projected in the 1995 GRC decommissioning cost estimate due to industry experience acquired after that study was developed.

A cost increase of \$89,431,000 is due to the estimated LLRW disposal cost, notwithstanding a decrease in the estimated volume of waste that will require burial.

3. Palo Verde

The Palo Verde decommissioning cost estimate decreased by approximately \$128,820,000 from the 1995 GRC decommissioning cost estimate.

¹ All SONGS site common expenses, including site lease payments, are included in TLG's 1998 SONGS 2 & 3 Decommissioning Cost Analysis.

This decrease is due primarily to a decrease of more than half of the volume of LLRW estimated to require disposal. Additionally, a lower base burial charge was assumed. The other major source of the estimated cost decrease is the reduction from a 50% to a 40% contingency factor for the entire estimate. There was also a small decrease for dismantling activities. These decreases were offset by a small increase for post-shutdown spent fuel storage.

The 1998 Palo Verde Decommissioning Cost Study, which was prepared by TLG, was based on an assumption that the Department of Energy (DOE) would accept Palo Verde spent fuel at a much faster rate than the last schedule for accepting spent fuel published by the DOE. SCE believes there is no basis for assuming this faster rate. Therefore, SCE concluded that the Palo Verde spent fuel will remain in on-site dry storage at least until 2060 and included the cost to monitor dry fuel storage at Palo Verde until 2060 in this cost estimate.

C. Escalation

Applicants' annual escalation rates are used to convert the decommissioning cost estimates in 1998 dollars to future-year dollars. Separate escalation rates were used for labor, the combined category of material, equipment and other, and for burial.

Applicants' rates were based upon projections provided by Standard & Poor's (S&P's) DRI economic forecasting service. The projection used was the August 1998 TREND25YEAR0898 projection. The projection spans the period from 1998 through 2023. The 2023 rates were used after 2023.

For labor escalation, applicants used the DRI projection of the Employment Cost Index for total compensation, private sector. Applicants believe that this index is appropriate because it tracks changes in wages, salaries, and employee benefits free of the influence of employment shifts among occupations and industries.

For the combined category of material, equipment, and other, applicants constructed an index that is a weighted average of the following Producer Price Indexes.

Fuels related products and power	(PPI05)
Chemicals and allied products	(PPI06)
Metals and metal products	(PPI10)
Construction machinery and equipment	(PPI112)
General purpose machinery and equipment	(PPI114)
Other industrial commodities	(PPIINDO)

Applicants used DRI projections of PPI05, PPI06, PPI10, and PPIINDO directly. To estimate values for PPI112 and PPI114, applicants constructed an econometric forecasting model that related historical changes in PPI112 and PPI114 to the Producer Price Index for machinery and equipment (PPI11). Applicants produced a projection of PPI112 and PPI114 based on the DRI projection of PPI11.

Applicants calculated weighted averages of these indexes for each SONGS unit and the Palo Verde units using weights first used in OII-86 and in SCE's 1992 and 1995 GRCs.

Applicants used two statistical models to estimate annual burial escalation rates. The estimates were performed using historical trends in burial escalation costs published by the Nuclear Regulatory Commission (NRC). The historical burial escalation cost factors were for the period 1986 through 1997 for burial sites in Nevada, South Carolina, and Washington. The resulting estimates ranged from 7.3% to 11.6%. Applicants chose to use a 10% rate because of the possibility of large increases in the cost of burial.

D. Trust Rate of Return Estimates

In D.95-07-055 the Commission placed the following restrictions on Trust investments.

- **Qualified Trusts**

Up to 50% may be invested in equities with a 20% limit on international equities.

At least 50% of the equity investments must be invested passively.²

Up to 100% of the funds may be invested in investment grade fixed income securities.³

- **Nonqualified Trusts**

Same as for qualified Trusts except that up to 60% of the investments may be in equities.

Applicants based their estimates of future equity returns on DRI's August 1998 TREND25YEAR0898 projection. Specifically, applicants used the DRI variables for S&P's 500 Stock Price Index (JS&PNS) and the dividend yield for S&P's 500 Stock Index (JS&PYIELD).

Applicants represent that the DRI projections are reasonable because Gross Domestic Product (GDP) growth and bond yields will be lower in the future, and because equities are currently overvalued.

² A passive investment strategy is one that seeks to match the return of a benchmark index, such as the S&P's 500 index, by replicating the composition of the index. D.95-07-055, Findings of Fact 12 and 13.

³ Investment grade securities are those rated BBB – or higher by S&P's or equal to or higher than the equivalent rating by other rating agencies. D.95-07-055, Finding of Fact 9.

Applicants based their estimates of future fixed income security returns on the DRI August 1998 TREND25YEAR0898 projections of the following three variables.

- Discount Rate on three-month U.S. Treasury bills (RMGBS3NS).
- Yield on ten-year constant maturity U.S. Treasury bonds (RMGFCM@IONS).
- Moody's average yield on AAA state and local government bonds (RMAAAGSLNS)

Applicants reduced the DRI RMAAAGSLNS projection by 57 basis points because the benchmark fixed-income return for the nonqualified trusts is for bonds with a maturity of 10 years or less rather than the 20 years used in the projection. The 57 basis points reduction is the observed difference between the 20-year and ten-year Moody's AAA municipal bond rates for the period January 1, 1996 through November 13, 1998.

Applicant's projected average yields for the period 1998 through 2022 are 4.47% for three-month Treasury bills, 5.26% on ten-year Treasury bonds and 4.23% on AAA state and local government bonds.

E. Tax Rates and Investment Strategies

The tax rates and trust investment strategies used in Applicants' calculations are as follows:

Characteristic	Qualified Trust	Nonqualified Trust
Federal tax rate	20.00%	35.00%
State tax rate	8.84%	8.54% (SCE)/8.68% (SDG&E)
Equity portfolio turnover	Five percent annually	Five percent annually
Federal dividend exclusion	Zero percent	70 percent
Equity investment percentage (before liquidation)	50 percent	60 percent
Equity investment liquidation	2014 (SONGS) 2025/2026/2028 (Palo Verde)	2014
Fixed income asset	Ten-year Treasury bonds	AAA municipal bonds

Applicants' after-tax trust fund return estimates are as follows:

	Qualified Trust	Nonqualified Trust
SONGS 1998-2013	4.83 percent	4.68 percent
SONGS 2014+	4.06 percent	3.88 percent
Palo Verde 1998-2024/2025/2027	4.84 percent	(Not applicable)
Palo Verde 2025+/2026/2028+	4.06 percent	(Not applicable)

F. Contributions and Revenue Requirements

Applicants' requested annual revenue requirements are as follows:

**Proposed Nuclear
Decommissioning Recovery For
SONGS 1, SONGS 2 & 3 And Palo Verde
(SCE Share)
(\$ x 1000)**

Line No.	Description	1995 GRC Authorized	2000 Estimated
1	Estimated Costs (1998 Dollars)	2,224,682	1,934,863
2	Estimated Costs (Future Dollars)	12,736,728	8,608,977
3	Fund Liquidation Value (as of 9/30/98)	1,869,502	1,869,502
4	Remaining Liability	10,867,226	6,739,475
5	Annual Contribution	99,822	40,694
6	Annual Revenue Requirement	104,426	41,559

**Proposed Nuclear
Decommissioning Recovery For
SONGS 1, and SONGS 2 & 3
(SDG&E Share)
(\$ x 1000)**

Line No.	Description	1993 GRC Authorized	2000 Estimated
1	Estimated Costs (1998 Dollars)	381,123	416,612
2	Estimated Costs (Future Dollars)	1,264,196	1,360,872
3	Fund Liquidation Value (as of 9/30/98)	413,475	413,475
4	Remaining Liability	850,721	947,397
5	Annual Contribution	22,038	7,287
6	Annual Revenue Requirement	30,133	7,411

G. SONGS 1 Decommissioning

Applicants request authority to begin decommissioning SONGS 1 in 2000. They cite the following four reasons:

- Reduced customer costs associated with decommissioning work, especially low level radioactive waste burial costs.
- Reduced costs due to such things as labor cost, escalation, and changing regulatory requirements.
- Safe decommissioning technologies are available now.
- Availability of former SONGS 1 workers at the SONGS site.

H. Reasonableness of SONGS 1 Decommissioning Expenditures

Applicants propose the following procedure to ensure the reasonableness of decommissioning expenditures. Applicants will provide annual advice letter filings that forecast the planned work and related costs for the upcoming year. They will also provide the recorded costs for the previous year. If cost increases arise due to changed circumstances, applicants would file supplemental advice letters. Applicants propose that, if recorded costs for any given year do not exceed the forecasts by more than 20%, the costs should be presumed reasonable. Any party claiming that Applicants' actions are unreasonable when the costs are within the 120% level, would bear the burden of demonstrating unreasonableness.

Applicants further propose that, within 6 months of completion of all decontamination, dismantling, and dry fuel storage, they would file an advice letter summarizing total recorded costs, and estimated costs of dry fuel storage monitoring, license termination, and final site restoration, as well as remaining trust fund balances.

Applicants represent that their proposal is reasonable since traditional reasonableness reviews are for major rate base additions and, in this case, no addition is involved.

I. Maintenance Costs for SONGS 1 Wet Fuel Storage

Applicants propose that the costs for wet fuel storage continue to be collected in rates as shutdown O&M costs until the fuel is moved to dry storage. Applicants represent that the current decommissioning cost estimate does not include direct or common costs for wet fuel storage prior to 2004. These costs will continue to be incurred until the fuel is put in dry storage. When the fuel is moved to dry storage, the costs for dry storage will be paid from the trust funds.

Applicants currently expect to transfer the fuel to dry storage in 2004 or 2005. If the transfer to dry storage takes place after 2004, applicants propose to immediately refund dry storage monitoring costs to customers beginning in 2004 until the fuel is put into dry storage.

J. Tax Benefits Resulting from Non-qualified Fund Expenditures

Contributions to non-qualified Trusts are not immediately deductible. Therefore, the amounts collected were increased to cover applicable taxes. When the funds are withdrawn from the trust, there is no tax deduction available. However, there is an available tax deduction for the decommissioning costs expended. The result is a net decrease in taxes when the expenditures are made. The one exception is that the costs for the dry fuel storage facility may have to be depreciated over the life of the facility as opposed to being expensed. An Internal Revenue Service (IRS) ruling will be needed in order to resolve this uncertainty. The tax benefits can either be refunded to ratepayers or used to fund decommissioning work.

Applicants propose that the tax benefits be kept in the Trusts to pay for decommissioning work. Applicants believe their proposal is reasonable because it would reduce the need for additional ratepayer contributions if the Trust balances turn out to be insufficient, and it will give the Trust Investment Committees the opportunity to earn a higher return for the Trust.

K. Finance Charges for Delays in Trust Fund Withdrawals

The Master Trust Agreements specify procedures for payment of decommissioning costs. As a result, there will be instances where applicants will have to make payments prior to receiving the funds from the Trust. This results in a financing cost to applicants.

Applicants represent that since these financing costs result from decommissioning, they should be recovered from the Trust. Applicants propose that the financing cost be calculated as the decommissioning cost amount times the 90-day commercial paper rate times the time lag between payment and receipt of funds from the Trust.

Applicants offer as an alternative that the Master Trust Agreements be amended to provide for faster payment. An amendment would require approval by the Decommissioning Trust Committees and the Commission.

V. The Proposed Settlement

The following are the key elements of the Settlement proposed by Applicants, ORA, and TURN (Proponents)

- SCE and SDG&E should be authorized to recover annual revenue requirements of \$25 million and \$5 million, respectively, for contributions to their Trusts. The effective date of the revenue requirement change should be the effective date of the Commission's approval of the Settlement or as soon as possible thereafter.
- The Commission should find the allocations of the annual revenue requirements between the nuclear generating units in Appendices B and C to the Settlement reasonable.
- The Commission should adopt Applicants' decommissioning cost estimates for their nuclear generating units.
- Applicants should be authorized to access their SONGS 1 Trusts for the purpose of commencing SONGS 1 decommissioning work on the effective date of Commission adoption of the settlement or as soon as possible thereafter.

- The Commission should review SONGS 1 decommissioning work every three years through Applicants' NDCTP applications. Based on these applications, the Commission would make findings about the reasonableness of costs incurred and work completed during the 3-year period. These findings of reasonableness would not be subject to further review.
- Applicants should retain the tax benefits associated with the use of their SONGS 1 nonqualified Trusts until completion of Phase I of SONGS 1 decommissioning work. Upon completion of Phase I, Applicants will assess the remaining SONGS 1 decommissioning work and recommend to the Commission the appropriate timing for returning the nonqualified Trust tax benefits to ratepayers.
- Applicants may continue collecting shutdown O&M expenses for SONGS 1 until SONGS 1 spent fuel is removed from the SONGS 1 spent fuel pool and placed in dry storage. Applicants will seek regulatory approval for the transfer of the spent fuel to dry storage in a timely manner.
- The Commission should amend the Applicants' Master Trust Agreements to enable advance withdrawals from the Trusts. This will eliminate the need for financing the costs of the lag between when decommissioning costs are paid and when reimbursements from the Trusts are made.

VI. Proponents' Explanation of the Settlement

A. Nuclear Decommissioning Trust Contributions

Applicants initially requested to decrease the currently authorized annual revenue requirements from \$104,426,000 and \$30,133,000 to \$47,480,000 and \$7,411,000 for SCE and SDG&E respectively. Subsequently, SCE revised its request to \$41,559,000 due to more recent information on the decommissioning cost for Palo Verde and due to elimination of an error in the initial calculation. As explained in the testimony in support of the settlement agreement, the proposed annual revenue requirement was further adjusted to update the Trust values to December 31, 1998 and to advance the assumed date of the changes in

contribution levels to July 1, 1999. This results in a annual revenue requirement of \$34.7 million and \$6.1 million, for SCE and SDG&E respectively.

Under the terms of the Settlement, Proponents agreed to annual revenue requirements of \$25 million and \$5 million for SCE and SDG&E respectively. Proponents settled on these values. They did not settle on specific underlying assumptions. Proponents believe that these values are reasonable for the next three years. Proponents also stated that they will take a fresh look at all of the variables in the next NDCTP in 2001.

B. SONGS 1 Decommissioning

Under the terms of the Settlement, Proponents support commencement of SONGS 1 decommissioning as of the effective date of a decision in this proceeding. Proponents also requested that Applicants be authorized to have access to trust funds equal to 90% of the Commission's most recently adopted SONGS 1 decommissioning cost estimate in order to conduct the decommissioning.

1. SONGS 1 Reasonableness Review

Proponents have agreed that the reasonableness of incurred decommissioning costs would be examined in the NDCTP. Applicants would report on the status of the decommissioning work, and the costs incurred to date, as part of their application. The reasonableness review would be conducted in a manner similar to those conducted in the Energy Cost Adjustment Clause reviews. If the costs incurred are within the most recent cost estimate approved by the Commission based on the scope of work completed, the costs and conduct would be presumed reasonable. Any entity claiming unreasonable costs or actions would bear the burden of proof. Applicants would bear the burden of proving that any material increase in costs for the scope of work are reasonable.

As part of the application, Applicants would also submit an updated decommissioning cost estimate that describes the remaining scope of work, updated assumptions for escalation rates and other variables, and a forecast of the amount remaining in the SONGS 1 Trusts.

2. SONGS 1 Nonqualified Trust Tax Benefits

Under the terms of the Settlement, Applicants will retain the tax benefits until Phase I of SONGS 1 decommissioning (decontamination, dismantling, and dry fuel storage implementation) is complete.⁴ Applicants will then recommend to the Commission the appropriate timing for returning the tax benefits to customers. This will allow a more accurate assessment of whether there are sufficient funds to complete the remaining decommissioning work.

3. Collection of SONGS 1 Shutdown O&M Expenses

Under the terms of the Settlement, Applicants will continue to collect SONGS 1 shutdown O&M expenses until SONGS 1 spent fuel is placed in dry storage. Applicants are currently collecting these expenses as authorized in D.96-01-011 and D.92-12-019, the 1995 and 1993 test year general rate case decisions for SCE and SDG&E respectively.

C. Finance Charges for Delays in Trust Fund Withdrawals

Under the terms of the Settlement, Proponents agree that the Master Trust Agreements should be amended to enable advance withdrawals from the Trust Funds to recover expected decommissioning costs. Proponents request that the Commission order Applicants to amend their Master Trust Agreements accordingly.

⁴ The three phases of decommissioning SONGS 1 are (1) decontamination, dismantling, and dry fuel storage implementation, (2) dry fuel storage monitoring, and (3) license termination and final site restoration.

VII. Commission Approval of the Settlement

Proponents state that the Settlement, taken as a whole, is fair, reasonable, and in the public interest. They also state that the Settlement satisfies Rule 51.1(e) of our Rules of Practice and Procedure.

Rule 51.1(e) is as follows:

The Commission will not approve stipulations or settlements, whether contested or uncontested, unless the stipulation or settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

A. Proponents Position

Proponents stipulate to all the following materials being entered into the formal record in this proceeding without evidentiary hearings: (1) Applicants' testimony, (2) the Settlement, and (3) the Testimony Supporting the Settlement Agreement. Proponents believe that these materials and the joint motion contain the information necessary for the Commission to find the Settlement reasonable in light of the record.

Proponents believe that the terms of the Settlement comply with all statutes and prior Commission decisions.

Proponents believe that the Settlement is a reasonable compromise of their respective positions. Proponents fairly reflect the interests affected by the Applicants' application. Proponents represent Applicants, the long term interests of all California customers (ORA), and the interests of residential and small commercial customers (TURN). Proponents believe the Settlement is in the public interest and in the interest of Applicants' customers.

Proponents believe that the Settlement avoids the cost of litigation, and frees the Commission's resources for other proceedings. The Settlement frees the time and resources of other parties as well, so that they may focus on

other proceedings of interest. Proponents believe that the Settlement process is also better suited and more efficient than traditional litigation in this proceeding.

Proponents stated that each portion of the Settlement is interdependent upon the other, and that they believe that no single issue should be evaluated in isolation from the rest of the Settlement. Changes in one portion of the Settlement would alter the balance of interests and the mutually agreed upon compromises and outcomes which are contained in the Settlement. As such, Proponents requested that it be adopted as a whole, as it is reasonable in light of the whole record, consistent with law, and in the public interest.

B. Discussion

We will review the proposed Settlement using the criteria contained in Rule 51.1(e). Additionally, we will keep in mind the four-part test the Commission adopted for all party settlements in D.92-12-019 (in Re: San Diego Gas & Electric (SDG&E) (1992) 46 CPUC2d 538). Under the test the Settlement must:

1. Command the unanimous sponsorship of all active parties in the proceeding;
2. Have parties which are fairly reflective of the affected interests;
3. Not propose terms which contravene statutory provisions or prior Commission decisions; and
4. Convey sufficient information to permit the Commission to discharge its future regulatory obligations regarding the parties and their interests.

First we will apply the four-part test.

The Settlement is sponsored by Applicants, ORA, and TURN. The other two parties to this proceeding are Pacific Gas and Electric Company (PG&E), and Federal Executive Agencies (FEA). While ORA and TURN filed

protests to the application, PG&E and FEA did not, nor have PG&E and FEA filed any comments on the Settlement.

We conclude that the Settlement, while not signed by all parties, commands the unanimous sponsorship of all active parties in the proceeding. The first part of the test is, therefore, satisfied.

The active parties are Applicants, ORA, and TURN. Applicants represent themselves. ORA represents all ratepayers and TURN represents residential and small commercial ratepayers. We conclude that all affected interests in this proceeding are well represented. The second part of the test is, therefore, satisfied.

Proponents represent that the Settlement complies with all statutes and prior Commission decisions. We agree. The third part of the test is, therefore, satisfied.

Applicants, in their application, made a prima facie case for their original proposal. Proponents have explained how more recent information would have reduced Applicants' original request. Finally, Proponents have explained that the Settlement is a compromise, by the settling parties, on a mutually agreeable outcome. Proponents also point out that the Settlement avoids the costs of litigation and frees the parties' and the Commission's resources for other proceedings.

The application, Settlement, and the testimony supporting the Settlement provide us with sufficient information to evaluate the reasonableness of the Settlement. They also provide us with sufficient information to discharge our future regulatory obligations to the parties and their interests. The fourth part of the test is, therefore, satisfied.

The terms of the Settlement are fully supported by Proponents. Proponents represent all interests and have more than sufficient knowledge and

expertise to recommend a reasonable outcome to this proceeding. No party has opposed the Settlement. We have no reason to believe that the negotiations were done in an inappropriate manner or that the terms of the Settlement are unreasonable or unworkable. We, therefore, conclude that the Settlement is reasonable and in the public interest. We also conclude that the Settlement satisfies Rule 51.1(e). We will adopt the Settlement.

Findings of Fact

1. A.98-12-025 was filed on December 21, 1998.
2. Notice of A.98-12-025 appeared on the Commission's Daily Calendar on January 6, 1999.
3. On February 5, 1999 ORA and TURN filed protests to the application and on February 16, 1999, Applicants filed a response.
4. On March 8, 1999, Proponents filed a joint motion seeking approval of a Settlement.
5. No parties objected to the Settlement.
6. Evidentiary hearings are not necessary.
7. The Settlement commands the unanimous sponsorship of all active parties.
8. Proponents are fairly reflective of all affected interests and have sufficient knowledge and experience to recommend a reasonable outcome to this proceeding.
9. The terms of the Settlement do not contravene statutory provisions or prior Commission decisions.
10. The Settlement conveys sufficient information to permit the Commission to discharge its future regulatory obligations regarding the parties and their interests.

Conclusions of Law

1. The Settlement is reasonable in light of the whole record, consistent with law, and in the public interest.
2. The Settlement should be adopted.
3. This order should be effective immediately in order that the appropriate contribution levels can be implemented as soon as possible.

O R D E R

IT IS ORDERED that:

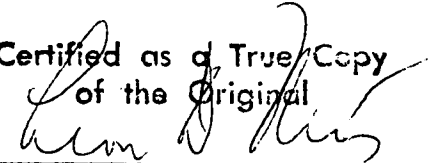
1. The Settlement Agreement (Attachment A) is adopted.
2. The Master Trust Agreements shall be amended as specified in the Settlement Agreement.
3. The Settlement is unopposed; therefore, no hearings are necessary in this matter.
4. This proceeding is closed.

This order is effective today.

Dated June 3, 1999, at San Francisco, California.

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
LORETTA M. LYNCH
TAL C. FINNEY
Commissioners

Certified as a True Copy
of the Original


ASST. EXECUTIVE DIRECTOR, PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA

Attachment A

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

Joint Application of SOUTHERN)
CALIFORNIA EDISON COMPANY AND)
SAN DIEGO GAS AND ELECTRIC)
COMPANY for the Nuclear)
Decommissioning Cost Triennial)
Proceeding to set Contribution Levels for)
the Companies' Nuclear Decommissioning)
Trust Funds and Address Other Related)
Decommissioning Issues.)

A.98-12-025

SETTLEMENT AGREEMENT

Dated: March 8, 1999

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Joint Application of SOUTHERN)
CALIFORNIA EDISON COMPANY AND)
SAN DIEGO GAS AND ELECTRIC)
COMPANY for the Nuclear)
Decommissioning Cost Triennial)
Proceeding to set Contribution Levels for)
the Companies' Nuclear Decommissioning)
Trust Funds and Address Other Related)
Decommissioning Issues.)
_____)

A.98-12-025

SETTLEMENT AGREEMENT

1. PARTIES

The Parties to this Settlement Agreement (Agreement) are Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), Office of Ratepayer Advocates (ORA) and The Utility Reform Network (TURN) (referred to hereinafter collectively as Parties or individually as Party).

2. RECITALS

2.1 SCE is an investor-owned public utility in the State of California and is subject to the jurisdiction of the California Public Utilities Commission (Commission or CPUC) with respect to providing electric service to its CPUC-jurisdictional retail customers.

2.2 SDG&E is an investor-owned public utility in the State of California and is subject to the jurisdiction of the Commission with respect to providing electric and gas service to its CPUC-jurisdictional customers.

- 2.3 San Onofre Nuclear Generating Station Unit Nos. 1, 2, and 3 (SONGS 1, 2&3) are Pressurized Water Reactor (PWR) nuclear generating units. SONGS 1, 2&3 are located at a common site in Southern California, near San Clemente.
- 2.4 SCE owns an 80% interest in SONGS 1 and a 75.05% interest in SONGS 2&3, and is the operating agent. SDG&E owns 20% interests in SONGS 1, 2&3.^{1/}
- 2.5 Palo Verde Nuclear Generating Station Unit Nos. 1, 2, & 3 (Palo Verde) consists of three pressurized water reactors (PWR) nuclear generating units. Palo Verde is located at a site near Phoenix, Arizona. SCE owns a 15.8% share of Palo Verde. Arizona Public Service (APS) owns a 29.1% share and is the operating agent.^{2/}
- 2.6 On December 21, 1998, SCE and SDG&E (referred to hereinafter collectively as Utilities), submitted their joint application for the first Nuclear Decommissioning Cost Triennial Proceeding (NDCTP). The NDCTP was filed in compliance with Ordering Paragraph 7 of D.95-07-055, as modified by the Coordinating Commissioner's Ruling, dated May 14, 1998 in the Restructuring OIR/OII.^{3/}
- 2.7 In the NDCTP application the Utilities requested the Commission: (1) to adopt the Utilities' SONGS 1, 2&3 and Palo Verde decommissioning cost estimates; (2) to authorize SCE to recover an

^{1/} The Cities of Anaheim and Riverside own the remaining 3.16% and 1.79% interest in SONGS 2&3, respectively.

^{2/} The other owners are: El Paso Electric (15.8% share); Public Service of New Mexico (10.2% share); Salt River Project (17.49% share); Los Angeles Department of Water and Power (5.7% share); and a coalition of 7 municipal utilities called Southern California Public Power Authority (SCPPA) (5.9% share).

^{3/} R.94-04-031/I.94-04-032.

annual revenue requirement of \$41.5 million and SDG&E to recover an annual revenue requirement of \$7.4 million each year for contributions to their Decommissioning Trust Funds for SONGS 2&3 and Palo Verde (SCE only); and (3) to authorize the Utilities to access up to 90% of their SONGS 1 decommissioning cost estimate from their SONGS 1 Decommissioning Trust Funds to commence SONGS 1 decommissioning work beginning in the year 2000.

- 2.8 ORA is the office of the Commission responsible for advocating on behalf of the interests of utility customers.
- 2.9 TURN is an independent, non-profit consumer advocacy organization that represents the interests of residential and small commercial utility customers.
- 2.10 On February 5, 1999, ORA and TURN both filed protests of the Utilities' Joint NDCTP Application with the Commission. ORA and TURN both stated that the Utilities should have chosen different financial assumptions to derive their contribution levels to the Decommissioning Trust Funds. In addition, ORA stated that the proposed 20% reasonableness trigger for review of SONGS 1 Decommissioning Work completed during each one year period was inappropriate.
- 2.11 On February 19, 1999, the Commission held a Prehearing Conference on the Utilities' NDCTP Application. At that time, the Parties informed the Commission that: (1) they had been in settlement negotiations; and (2) a settlement was likely in the near future.

3. **DEFINITIONS**

When used with initial capitalization in this agreement, whether in singular or plural, the terms in Appendix A shall have the meanings stated therein.

4. **AGREEMENT**

In consideration of the mutual obligations, promises, covenants and conditions contained herein, the Parties agree to support approval by the Commission of this Agreement in this proceeding as further described in Section 6.

4.1 **Nuclear Decommissioning Trust Fund Contribution Levels**

4.1.1 **SCE**

4.1.1.1 SCE should be authorized to recover an annual Revenue Requirement of \$25 million for contributions to its SONGS 2&3 and Palo Verde Decommissioning Trust Funds. Appendix B contains a table identifying the allocation of this Revenue Requirement and trust contribution among SONGS 2&3, and Palo Verde. The Commission should find the allocation in Appendix B to be reasonable. The Revenue Requirement change will occur upon the effective date of Commission adoption of the Agreement or as soon as possible thereafter. No further collections are authorized for SONGS 1 at this time.

4.1.1.2 This Revenue Requirement level assumes that December 31, 1998 Decommissioning Trust Fund liquidation values form the basis for the proposed annual Revenue Requirement.

Decommissioning Work to be performed based on a cost study. The new estimate of scope and cost may vary from the previous estimate due to unanticipated changes identified while performing the work during the previous three years.

- c. A comparison of completed SONGS 1 Decommissioning Work to date, and the costs incurred, to the previously submitted SONGS 1 Decommissioning Cost Estimate. If the scope of SONGS 1 Decommissioning Work completed and costs incurred to date are bounded by the most recently approved SONGS 1 Decommissioning Cost Estimate, the Utilities' conduct will be presumed reasonable. Any entity claiming the Utilities acted unreasonably would, therefore, bear the burden of proving the Utilities acted unreasonably. The Utilities will be responsible for proving that material variances from the most recently approved SONGS 1 Decommissioning Cost Estimate are reasonable.

4.2.3 SCE and SDG&E will retain the SONGS 1 Nonqualified Trust Tax Benefits until completion of Phase 1 of SONGS 1 decommissioning. Upon completion of Phase 1, SCE and SDG&E will assess the remaining SONGS 1 Decommissioning Work and recommend to the Commission the appropriate timing for returning the Nonqualified Trust Tax Benefits to ratepayers.

4.2.4 SCE and SDG&E may continue collecting Shutdown O&M Expenses for SONGS 1 until SONGS 1 spent fuel is removed

from the SONGS 1 spent fuel pool and placed in dry storage. SCE and SDG&E will seek regulatory approvals for the transfer of the spent fuel to dry storage in a timely manner.

4.2.5 In accordance with Section 2.10 of the Master Trust Agreements, the Commission should direct the Utilities to amend their Decommissioning Trust Fund Master Trust Agreements to enable advance withdrawals from the Decommissioning Trust Funds to cover expected decommissioning costs. This will eliminate the need for financing the costs of the lag between when Decommissioning Costs are paid and when reimbursements from the Decommissioning Trust Funds are made. The proposed amendment is attached as Appendix D.

5. **SIGNATURE DATE AND TERM OF AGREEMENT**

This Agreement shall become binding on the signature date.

6. **REGULATORY APPROVAL**

The Parties shall use their best efforts to obtain Commission approval of the Agreement. The Parties shall jointly request that the Commission:

(1) approve the Agreement without change; and (2) find the Agreement to be reasonable and in the public interest.

7. **COMPROMISE OF DISPUTED CLAIMS**

This Agreement represents a compromise of disputed claims between the Parties. The Parties have reached this Agreement after taking into account the possibility that each Party may or may not prevail on any given issue.

The Parties assert that this Agreement is reasonable and in the public interest.

8. **NON PRECEDENT**

Consistent with Rule 51.8 of the Commission's Rules of Practice and Procedure, this Settlement Agreement is not precedential.

9. **PREVIOUS COMMUNICATIONS**

The Agreement contains the entire Agreement and understanding between the Parties as to the subject matter of this Agreement, and supersedes all prior agreements, commitments, representations, and discussions between the Parties. In the event there is any conflict between the terms and scope of the Agreement and the terms and scope of the accompanying joint motion, the Agreement shall govern.

10. **NON WAIVER**

None of the provisions of this Agreement shall be considered waived by any Party unless such waiver is given in writing. The failure of a Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of their rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

11. **EFFECT OF SUBJECT HEADING**

Subject headings in this Agreement are inserted for convenience only, and shall not be construed as interpretations of the text.

12. GOVERNING LAW

This Agreement shall be interpreted, governed and construed under the laws of the State of California, including Commission decisions, orders and rulings, as if executed and to be performed wholly within the State of California.

4.1.1.3 SCE will reassess nuclear Decommissioning Trust Fund contribution levels no later than three years from December 21, 1998 in its next NDCTP application.

4.1.2 SDG&E

4.1.2.1 SDG&E should be authorized to recover an annual Revenue Requirement of \$5 million for contributions to its SONGS 2&3 Decommissioning Trust Funds. Appendix C contains a table identifying the allocation of this Revenue Requirement and trust contribution between SONGS 2&3. The Commission should find the allocation in Appendix C to be reasonable. The Revenue Requirement change will occur upon the effective date of Commission adoption of the Agreement or as soon as possible thereafter. No further collections are authorized for SONGS 1 at this time.

4.1.2.2 This Revenue Requirement level assumes that December 31, 1998 Decommissioning Trust Fund liquidation values form the basis for the proposed annual Revenue Requirement.

4.1.2.3 SDG&E will reassess nuclear Decommissioning Trust Fund contribution levels no later than three years from December 21, 1998 in its next NDCTP application.

4.1.3 The Commission should adopt the Decommissioning Cost Estimates attached to the Testimony in Support of the Settlement Agreement.

4.2 SONGS 1 Decommissioning

4.2.1 The Utilities should be authorized to access from their SONGS 1 Decommissioning Trust Funds up to 90% of the Commission's currently adopted SONGS 1 Decommissioning Cost Estimate for the purpose of commencing SONGS 1 Decommissioning Work on the effective date of Commission adoption of the Agreement or as soon as possible thereafter.

4.2.2 Commission Review Of Expenditures Necessary To Decommission SONGS 1

4.2.2.1 The SONGS 1 Decommissioning Work will be divided into three phases:

- a. Phase 1 – Decontamination and Dismantling, and Dry Fuel Storage Implementation**
- b. Phase 2 – Dry Fuel Storage Monitoring and Maintenance**
- c. Phase 3 – License Termination and Final Site Restoration**

4.2.2.2 During the Phase 1 period of SONGS 1 Decommissioning Work, the Utilities' triennial NDCTP applications will include the following:

- a. Updated Decommissioning Cost Estimates for SONGS 2&3 and Palo Verde based on current cost studies.**
- b. An updated SONGS 1 Decommissioning Cost Estimate that identifies the remaining SONGS 1**

13. NUMBER OF ORIGINALS

This Agreement is executed in five counterparts, each of which shall be deemed an original. The undersigned represent that they are authorized to sign on behalf of the Party represented.

SOUTHERN CALIFORNIA EDISON COMPANY

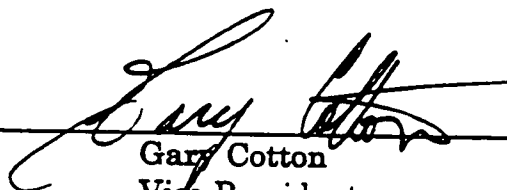
By:



Bruce C. Foster
Vice President

SAN DIEGO GAS & ELECTRIC COMPANY

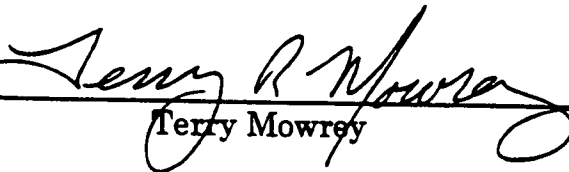
By:



Gary Cotton
Vice President

OFFICE OF RATEPAYER ADVOCATES

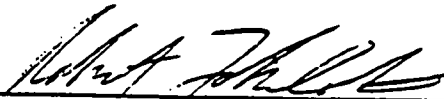
By:



Terry Mowrey

THE UTILITY REFORM NETWORK

By:



Robert Finkelstein

Dated: March 8, 1999

APPENDIX A

1. DEFINITIONS

- 1 **Commission:** The California Public Utilities Commission.
- 2 **CPUC:** The California Public Utilities Commission.
- 3 **Decommissioning Cost Estimate:** A site specific estimate of expenditures,
4 based on technology and requirements in existence at the time the estimate
5 is prepared, to be incurred during the course of decommissioning work. For
6 example, this includes costs for labor, materials, equipment, energy, services,
7 overhead expenses, nuclear fuel storage expenses, applicable labor loading
8 charges, and administrative and general expenses, as well as contingency
9 which addresses the uncertainties likely to be encountered at the time of
10 performance of decommissioning work.
- 11 **Decommissioning Trust Funds:** Those externally managed, segregated
12 funds collected from customers to pay the costs of decontamination and
13 decommissioning of the Utilities' nuclear generating units.
- 14 **Decontamination And Dismantling and Dry Fuel Storage**
15 **Implementation:** The process of removing and disposing of all
16 contaminated and non-contaminated equipment, components, and buildings
17 except the Independent Spent Fuel Storage Installation (ISFSI); the
18 construction of the ISFSI; and the transfer of fuel from wet storage to the
19 ISFSI.
- 20 **Deferred Tax:** This liability or asset represents the increase or decrease in
21 taxes payable or refundable in future years as a result of temporary
22 differences which have occurred in the past and which will reverse in the
23 future.
- 24 **Dry Fuel Storage Monitoring And Maintenance:** The process of
25 conducting inspections and maintenance of the ISFSI to ensure the integrity

1 of the fuel storage is maintained in accordance with NRC Regulations. This
2 activity will continue until the fuel is transferred to the Department of
3 Energy or other responsible agency designated by the U.S. Congress.

4 **8 Independent Spent Fuel Storage Installation (ISFSI):** An on-site,
5 seismically designed, federally licensed facility constructed to store spent
6 nuclear fuel and associated radioactive materials until they are removed
7 from the site by the U.S. Department of Energy. An ISFSI is highly shielded,
8 and employs passive convective cooling in lieu of plant systems required for
9 spent fuel pool operation.

10 **9 Internal Revenue Service (IRS):** The federal agency charged with
11 administering federal income taxes.

12 **10 License Termination And Final Site Restoration:** The process of
13 dismantling, decontaminating, and removing the ISFSI after the fuel is
14 transferred to the Department of Energy, terminating the license in
15 accordance with federal regulations, and restoring the SONGS 1 site to the
16 extent required by the grantors of the site easement agreements and any
17 other applicable federal, state, or local regulation.

18 **11 Master Trust Agreement:** The documents governing the Utilities' Nuclear
19 Decommissioning Trust. There are separate Master Trust Agreements for
20 the Qualified Trusts, contributions to which qualify for income tax
21 deductions under Section 468A of the Internal Revenue Code, and for the
22 Nonqualified Trusts which hold the remaining required decommissioning
23 funds. The Master Trust Agreements have been approved by the CPUC,
24 which is a signatory on the documents.

25 **12 Nonqualified Trust Tax Benefits:** These are amounts due to ratepayers.
26 They arise as nontaxable withdrawals are made from the nonqualified
27 decommissioning trust and the amounts withdrawn are expended for

decommissioning work that is currently deductible for tax purposes. For work that must be capitalized for tax purposes, amounts arise as depreciation or amortization deductions are claimed.

13 NDCTP: Nuclear Decommissioning Costs Triennial Proceeding.

14 Nuclear Regulatory Commission (NRC): A commission of the United States federal government charged with regulating the civilian nuclear industry.

15 Revenue Requirement: The total amount of revenue required by the Utilities to recover their cost of collecting monies for their Decommissioning Trust Funds.

16 San Onofre Nuclear Generating Station (SONGS): A nuclear generating station with two operating units and one shutdown unit located at Camp Pendleton in Southern California.

17 SCE: Southern California Edison Company.

18 SDG&E: San Diego Gas & Electric Company.

19 Shutdown Operation and Maintenance (O&M) Expenses: Expenses to maintain the spent fuel in the SONGS 1 spent fuel pool, other necessary maintenance of the shutdown unit, and an appropriate share of the SONGS common expenses.

20 SONGS 1: A Pressurized Water Reactor (PWR) nuclear generating unit with a gross maximum capacity of 410 Megawatt electric (MWe) which began commercial operation on January 1, 1968. SONGS 1 was permanently shut down in November 1992. SONGS 1 is located at a site in southern California that is common to SONGS 2&3.

21 SONGS 1 Decommissioning Work: All work necessary to meet the decommissioning requirements of the NRC, Project Land Rights, the San

1 Onofre Agreements, the California Public Utilities Commission, and any
2 other applicable federal, state, and local regulations for SONGS 1.

3 **22 SONGS 2 & 3:** Two Pressurized Water Reactors (PWR) nuclear generating
4 units which each have an output of 1127 Megawatts electric (MWe) and have
5 been in commercial operation since 1983 and 1984, respectively. SONGS 2 &
6 3 are located at a site in southern California that is common to the shutdown
7 SONGS Unit 1.

Appendix B

**Allocation Of \$25 Million Annual Revenue Requirement Among
SCE's Nuclear Decommissioning Trust Funds
(\$000)**

	SONGS 2		SONGS 3	PVNGS 1	PVNGS 2	PVNGS 3	Total Nuclear
	Qualified	Nonqualified	Qualified	Qualified	Qualified	Qualified	
Proposed Contribution Amount	6,786	303	4,707	3,719	4,318	4,655	24,488
Proposed Revenue Requirement	6,863	541	4,760	3,761	4,367	4,708	25,000

Appendix C

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Allocation Of \$5 Million Annual Revenue Requirement
SDG&E Nuclear Decommissioning Trust Funds

(\$000)

	SONGS 2		SONGS 3	Total Nuclear
	Qualified	Nonqualified	Qualified	
Proposed Contribution Amount	3,243	21	1,664	4,928
Proposed Revenue Requirement	3,279	37	1,684	5,000

Appendix D

Proposed Amendment To Qualified And Nonqualified Master Trust Agreements
(additions noted by underline)

1.01 Definitions

- (2) "Advance Withdrawal Certificate" shall mean a document properly completed and executed by one Authorized Representative of the Company and substantially in the form of Exhibit C hereto.

2.01 Payment of Nuclear Decommissioning Costs.

The Trustee shall make payments of the Decommissioning Costs in accordance with the following procedures:

- (1) Authorized Representative. The Committee shall promptly notify the Trustee of the selection and appointment of any Authorized Representative of the Committee. The Trustee shall have no duty to inquire into or investigate the continued authority of such person to act as the Authorized Representative. The Committee shall provide the Trustee with written notice of the termination of any Authorized Representative's authority.
- (2) Disbursement to Third Parties. Evidence of payments for Decommissioning Costs to any person (other than the Company) for goods provided or labor or other services rendered to the Company in connection with the decommissioning of the Plants shall be submitted to the Trustee on a Disbursement Certificate.
- (3) Reimbursement to the Company. Requests for payments to the Company in reimbursement of Decommissioning Costs actually incurred by the Company and paid by the Company to any other person shall be submitted to the Trustee on a Withdrawal Certificate.

(4) Payment of Decommissioning Costs. The Trustee shall pay Decommissioning Costs when a Disbursement Certificate or Withdrawal Certificate is filed with the Trustee, showing with respect to each withdrawal of money:

- (a) the name and address of the person or entity to whom payment is due (which may be the Company);
- (b) the amount of money to be paid;
- (c) the purpose for which the obligation to be paid was incurred; and
- (d) a CPUC Order authorizing either Interim Disbursements or Final Disbursements.

A copy of such order shall accompany the Disbursement Certificate or Withdrawal Certificate.

Each Disbursement Certificate or Withdrawal Certificate must certify that the expenses to be paid constitute Decommissioning Costs and shall provide satisfactory evidence to the Trustee of same.

(5) Advance Withdrawals for Payment of Decommissioning Costs. An Authorized Representative may request disbursement of funds to pay expected Decommissioning Costs by submitting an Advance Withdrawal Certificate to the Trustee. Requests for advance withdrawals may be made up to one month before expected payments are made. Amounts withdrawn shall be deposited in an interest-bearing account. Interest earned in such account shall be used for paying Decommissioning Costs, and shall not benefit the Company. Any request for withdrawal of funds shall be accompanied by documentation supporting the amount of advance withdrawal, and shall take into account any unexpended balance of funds previously disbursed. Any funds remaining in such account

upon termination of the Master Trust shall be distributed pursuant to Section 2.09.

- (6) Documentation of Payment of Decommissioning Costs. Actual expenditures for Decommissioning Costs and a reconciliation of advance withdrawals with actual expenditures will be submitted to the CPUC quarterly.
- (7) Interim Disbursements. The estimated costs and schedule for decommissioning each of the Plants shall be reviewed periodically and updated when the revenue requirement for decommissioning is reviewed by the CPUC in the Company's general rate cases. One year prior to the time decommissioning of a Plant or Plants is estimated to begin, the Company shall apply for CPUC approval of the estimated cost and schedule for decommissioning each Plant or Plants. Upon approval of the cost and schedule for decommissioning each Plant or Plants, the CPUC shall authorize Interim Disbursements from the applicable Fund to pay Decommissioning Costs. Upon the occurrence of changed circumstances the Company may apply to the CPUC for approval of amendments to the cost and schedule for decommissioning each Plant. Interim Disbursements shall be limited to 90% of the forecast of Decommissioning Costs approved by the CPUC. Final payment from the applicable Fund for all Decommissioning costs shall be made pursuant to Section 2.01(6).

Prior to the issuance of an Interim Disbursement order, the Trustee is authorized to pay up to 3 percent of the amount specified in paragraph 50.75 of Title 10 of the Code of Federal Regulations for decommissioning planning purposes upon receipt of a Disbursement Certificate or a Withdrawal Certificate meeting the requirements of Section 2.01(4)(a)-(c).

(8) Final Disbursements. The Company shall apply for and acquire CPUC approval of the estimated final cost for decommissioning each Plant or Plants. Such application shall be made one year in advance of the time the Company estimates use of funds exceeding 90% of the forecast of Decommissioning Costs approved by the CPUC will be required. Upon approval of the final cost of decommissioning each Plant or Plants, the CPUC shall authorize Final Disbursements from the applicable Fund to pay Decommissioning Costs. The Trustee shall make a Final Disbursement when a CPUC Order and a Disbursement Certificate or Withdrawal Certificate is filed with the Trustee to show:

- (a) the name and address of the person or entity to whom payment is due, including reimbursement to the Company;
- (b) the amount of money to be paid; and
- (c) the purpose for which the obligation to be paid was incurred.

QUALIFIED MASTER TRUST AGREEMENT

EXHIBIT C

ADVANCE WITHDRAWAL CERTIFICATE

The undersigned, Authorized Representative of Southern California Edison Company (Company), a California corporation, being duly authorized and empowered to execute and deliver this certificate, hereby certifies to the Trustee of the Southern California Edison Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust for San Onofre and Palo Verde Nuclear Generating Stations, pursuant to Section 2.01 of that certain Master Trust Agreement, dated _____, as follows:

- 1) Within 30 days of the date of this certificate, there will be due and owing to the Company [all] or [a portion of] the cost for goods or services provided in connection with the decommissioning of [SONGS/Palo Verde] as evidenced by the Schedule with supporting exhibits attached as Exhibit 1 hereto;
- 2) All such amounts will constitute Decommissioning Costs; and
- 3) All conditions precedent to the making of this withdrawal and disbursement and the payment by the Company of the Decommissioning Costs set forth in any agreement between any third-party provider and the Company have been fulfilled.

Accordingly, you are hereby authorized to withdraw \$_____ from the [SONGS Unit No. 1/SONGS Unit No. 2/SONGS Unit No. 3/Palo Verde Unit No. 1/Palo Verde Unit No. 2/Palo Verde Unit No. 3] Qualified Fund of the Master Trust in order to permit payment of such sum to be made to the Company for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to the Company in the following manner: [DESCRIBE: CHECK, WIRE TRANSFER, ETC.] on or before _____. Executed this ____ day of _____.

SOUTHERN CALIFORNIA EDISON COMPANY

By _____
Authorized Representative

By _____
Attest

NONQUALIFIED MASTER TRUST AGREEMENT

EXHIBIT C

ADVANCE WITHDRAWAL CERTIFICATE

The undersigned, Authorized Representative of Southern California Edison Company (Company), a California corporation, being duly authorized and empowered to execute and deliver this certificate, hereby certifies to the Trustee of the Southern California Edison Company Nuclear Facilities Nonqualified CPUC Decommissioning Master Trust for San Onofre and Palo Verde Nuclear Generating Stations, pursuant to Section 2.01 of that certain Master Trust Agreement, dated _____, as follows:

- 4) Within 30 days of the date of this certificate, there will be due and owing to the Company [all] or [a portion of] the cost for goods or services provided in connection with the decommissioning of [SONGS/Palo Verde] as evidenced by the Schedule with supporting exhibits attached as Exhibit 1 hereto;
- 5) All such amounts will constitute Decommissioning Costs; and
- 6) All conditions precedent to the making of this withdrawal and disbursement and the payment by the Company of the Decommissioning Costs set forth in any agreement between any third-party provider and the Company have been fulfilled.

Accordingly, you are hereby authorized to withdraw \$_____ from the [SONGS Unit No. 1/SONGS Unit No. 2/SONGS Unit No. 3/Palo Verde Unit No. 1/Palo Verde Unit No. 2/Palo Verde Unit No. 3] Nonqualified Fund of the Master Trust in order to permit payment of such sum to be made to the Company for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to the Company in the following manner: [DESCRIBE: CHECK, WIRE TRANSFER, ETC.] on or before _____. Executed this ____ day of _____.

SOUTHERN CALIFORNIA EDISON COMPANY

By _____
Authorized Representative

By _____
Attest

PROOF OF SERVICE BY MAIL

I, Lillian C., declare:

I am over the age of 18 years, not a party to this proceeding, and am employed by the California Public Utilities Commission at 505 Van Ness Avenue, San Francisco, California.

On 6/3/99, I deposited in the mail at San Francisco, California, a copy of:

99-06-007
(DECISION NUMBER OR TYPE OF HEARING)

6/3/99
(DATE OF HEARING)

A 98-12-005
(APPLICATION/CASE/OII/OIR NUMBER)

in a sealed envelope, with postage prepaid, addressed to the last known address of each of the addressees in the attached list.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on 6/3/99, at San Francisco, California.

Lillian C.

*Signature
9/92

CA-19
5-27-99

A 98-12-025

DECISION: 99-06-007

MAIL DATE: 6/13/99

Copy of "OPINION AND ORDER" mailed to the following.

SEE ATTACHED LIST FOR APPEARANCES, STATE SERVICE

Count 18

5-27-99
SMJ

***** SERVICE LIST *****

Last updated on 01-APR-1999 by: SMJ
A9812025 LIST

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