

March 29, 2004

U. S. Nuclear Regulatory Commission  
Attention: Document Control Desk  
Washington, D. C. 20555

Subject: **Docket No. 50-206**  
**10 CFR 50.75(f)(1) Decommissioning Funding Report**  
**San Onofre Nuclear Generating Station Unit 1**

Gentlemen:

As required by 10 CFR 50.75(f)(1), this letter provides the status of the decommissioning funding for San Onofre Unit 1 as of December 31, 2003. The required information is provided in the enclosure for Southern California Edison and San Diego Gas & Electric for San Onofre Unit 1. Based on the requirements in 10 CFR 50.75(f)(1), this information is reported on an annual basis for San Onofre Unit 1 since the plant was permanently shut down before the end of its licensed life and is currently being decommissioned.

If you should have any questions regarding this matter, please feel free to contact me.

Sincerely,



Enclosure: As stated

cc: B. S. Mallett, Regional Administrator, NRC Region IV  
W. C. Huffman, NRC Project Manager, San Onofre Unit 1  
R. S. Wood, NRC/DRPM/PGEB  
D. B. Spitzberg, NRC Region IV  
C. C. Osterholtz, NRC Senior Resident Inspector, San Onofre Units 2 and 3

**San Onofre Nuclear Generating Station Unit 1  
Decommissioning Funding Status Report**

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Provided below is the information required by 10 CFR 50.75(f)(1) for San Onofre Unit 1. This information is reported every year for San Onofre Unit 1 because it was permanently shut down before the end of its licensed life and is currently being decommissioned.

All dollar amounts are in 2003 dollars, and the owners are reported as follows:

Southern California Edison (SCE)	80 %
San Diego Gas & Electric (SDG&E)	20 %

1) The decommissioning fund estimated to be required pursuant to 10 CFR 50.75(b) and (c) is the following:

a) The minimum amount calculated by the method prescribed by 10 CFR 50.75(c) is \$330.3 million.

b) The San Onofre Unit 1 site-specific estimate <sup>(1)</sup> for decommissioning includes the following radiological decommissioning costs associated with terminating the site license:

	<u>San Onofre Unit 1</u>
Estimate of Radiological Costs	\$ 420.4 million
Actual Radiological Costs through 12/31/2003	<u>\$ 214.8 million</u>
To Go Costs	\$ 205.6 million

The To Go Costs reflect the remaining obligation for the radiological costs associated with terminating the site license.

2) The Decommissioning Trust Fund amount remaining at the end of calendar year 2003 (net of estimated capital gains taxes) is:

<u>Owner</u>	<u>San Onofre Unit 1</u>
SCE	\$ 272.2 million
SDG&E <sup>(2)</sup>	<u>\$ 111.1 million</u>
TOTAL	\$ 383.3 million

3) The decommissioning fund for San Onofre Unit 1 is sufficient to provide for the estimated decommissioning costs, and as of June 1999, decommissioning funds are no longer collected.

**San Onofre Nuclear Generating Station Unit 1  
Decommissioning Funding Status Report**

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- 4) The composite escalation rate for San Onofre Unit 1 Decommissioning is 2.72%.
- 5) The after-tax composite investment rate of return for the San Onofre Unit 1 Decommissioning is 4.65%. The composite investment rate of return less the composite escalation rate yields a composite real earnings rate less than the 2 % real rate of return allowed under 10 CFR 50.75(e)(1)(ii).
- 6) None of the owners of San Onofre Unit 1 are relying on any contracts for the purposes of providing decommissioning funding pursuant to 10 CFR 50.75(e)(1)(v). There have been no modifications to the method of providing financial assurance. Amendments to the SCE and SDG&E Nuclear Facilities Qualified and Nonqualified CPUC Decommissioning Master Trust Agreements (MTAs) are attached. The amended MTAs incorporate a requirement (Federal Register 67FR78332 dated December 24, 2002) for NRC notification.

Notes: (1) The site-specific decommissioning cost estimate for San Onofre Unit 1 that was provided to the California Public Utilities Commission (CPUC) on March 21, 2002, includes the radiological costs associated with terminating the site license, non-radiological costs, and fuel storage costs. The CPUC approved the Unit 1 Decommissioning cost estimate on October 2, 2003.

(2) SCE is submitting information with respect to its co-owner, SDG&E. SDG&E is responsible for the completeness and accuracy of their information.

## **ATTACHMENT 1**

Amendment to the SCE  
Decommissioning  
MasterTrust Agreements

# AMENDMENT NO. 1

## SOUTHERN CALIFORNIA EDISON COMPANY NUCLEAR FACILITIES NONQUALIFIED CPUC DECOMMISSIONING MASTER TRUST AGREEMENT

FOR SAN ONOFRE AND PALO VERDE  
NUCLEAR GENERATING STATIONS

As Amended and Restated November 1, 2002

WHEREAS, the California Public Utilities Commission, the Southern California Edison Company, and Mellon Bank, N.A. (the "Parties") have executed the Southern California Edison Company Nuclear Facilities Nonqualified CPUC Decommissioning Master Trust Agreement for San Onofre and Palo Verde Nuclear Generating Stations as Amended and Restated November 1, 2002 (the "Master Trust Agreement") and the Parties desire to amend the Master Trust Agreement;

NOW, THEREFORE, the Master Trust Agreement is amended as provided herein below effective December 23, 2003.

The introductory text of Article II is amended to read as follows:

### II. DISPOSITIVE PROVISIONS

After payment of the expenses described in Section 6.01 hereof, the Trustee shall distribute the Master Trust as provided in this Article II. Except for payments or disbursements made pursuant to Section 2.01 or as otherwise permitted under paragraph 50.82(a)(8) of Title 10 of the Code of Federal Regulations, no disbursement or payment may be made from the Master Trust until written

notice of the intention to make disbursement or payment has been given to the Nuclear Regulatory Commission Director of the Office of Nuclear Regulation, or Director of the Office of Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 1 effective December 23, 2003.

**CALIFORNIA PUBLIC UTILITIES COMMISSION**

By: Wells Aber  
Title: Executive Director

**SOUTHERN CALIFORNIA EDISON COMPANY**

By: [Signature]  
Title: SVP CFO

Attest: [Signature]  
Title: Secretary

**MELLON BANK, N.A.**

By: Paul R. Kraus  
Title: VP

Attest: [Signature]  
Title: TRUST OFFICER

## AMENDMENT NO. 1

# SOUTHERN CALIFORNIA EDISON COMPANY NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING MASTER TRUST AGREEMENT

FOR SAN ONOFRE AND PALO VERDE  
NUCLEAR GENERATING STATIONS

As Amended and Restated November 1, 2002

WHEREAS, the California Public Utilities Commission, the Southern California Edison Company, and Mellon Bank, N.A. (the "Parties") have executed the Southern California Edison Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre and Palo Verde Nuclear Generating Stations as Amended and Restated November 1, 2002 (the "Master Trust Agreement") and the Parties desire to amend the Master Trust Agreement;

NOW, THEREFORE, the Master Trust Agreement is amended as provided herein below effective December 23, 2003.

The introductory text of Article II is amended to read as follows:

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notice of the intention to make disbursement or payment has been given to the Nuclear Regulatory Commission Director of the Office of Nuclear Regulation, or Director of the Office of Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 1 effective December 23, 2003.

**CALIFORNIA PUBLIC UTILITIES COMMISSION**

By: Mark Aher  
Title: Executive Director

**SOUTHERN CALIFORNIA EDISON COMPANY**

By: [Signature]  
Title: SVP - CFO

Attest: [Signature]  
Title: Secretary

**MELLON BANK, N.A.**

By: Paul R. Kraus  
Title: VP

Attest: [Signature]  
Title: TRUST OFFICER



## **ATTACHMENT 2**

**Amendment to the SDG&E  
Decommissioning  
MasterTrust Agreements**

AMENDMENT NO. 5

SAN DIEGO GAS & ELECTRIC COMPANY  
NUCLEAR FACILITIES NONQUALIFIED  
CPUC DECOMMISSIONING MASTER TRUST  
AGREEMENT

FOR SAN ONOFRE NUCLEAR GENERATING STATIONS

WHEREAS, the California Public Utilities Commission, San Diego Gas & Electric Company, and Mellon Bank, N.A. (the "Parties") have executed the San Diego Gas & Electric Company Nuclear Facilities Nonqualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Stations, as amended, (the "Master Trust Agreement") and the Parties desire to amend the Master Trust Agreement;

NOW, THEREFORE, the Master Trust Agreement is amended as provided herein below effective December 24, 2003.

The introductory text of Article II is amended to read as follows:

II  
DISPOSITIVE PROVISIONS

After payment of the expenses described in Section 6.01 hereof, the Trustee shall distribute the Master Trust as provided in this Article II. Except for payments or disbursements made pursuant to Section 2.01 or as otherwise permitted under paragraph 50.82(a)(8) of Title 10 of the Code of Federal Regulations, no disbursement or payment may be made from the Master Trust until written notice of the intention to make disbursement or payment has been given to the Nuclear Regulatory Commission Director of the Office of Nuclear Regulation, or Director of the Office of Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment.

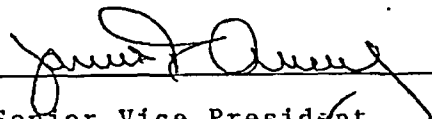
IN WITNESS WHEREOF, the Parties have executed this Amendment No. 5 effective December 24, 2003.

CALIFORNIA PUBLIC UTILITIES COMMISSION

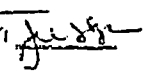
By: W. M. Aber

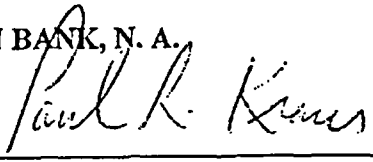
Title: Executive Director


SAN DIEGO GAS & ELECTRIC COMPANY

By:   
Senior Vice President  
Electric Transmission  
Title: \_\_\_\_\_

Attest: \_\_\_\_\_  
Title: \_\_\_\_\_

APPROVED as to legal form: 

MELLON BANK, N. A.  
By:   
Title: VP

Attest:   
Title: TRUST OFFICER

AMENDMENT NO. 7

SAN DIEGO GAS & ELECTRIC COMPANY  
NUCLEAR FACILITIES QUALIFIED  
CPUC DECOMMISSIONING MASTER TRUST  
AGREEMENT

FOR SAN ONOFRE NUCLEAR GENERATING STATIONS

WHEREAS, the California Public Utilities Commission, San Diego Gas & Electric Company, and Mellon Bank, N.A. (the "Parties") have executed the San Diego Gas & Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Stations, as amended, (the "Master Trust Agreement") and the Parties desire to amend the Master Trust Agreement;

NOW, THEREFORE, the Master Trust Agreement is amended as provided herein below effective December 24, 2003.

The introductory text of Article II is amended to read as follows:

II.  
DISPOSITIVE PROVISIONS

After payment of the expenses described in Section 6.01 hereof, the Trustee shall distribute the Master Trust as provided in this Article II. Except for payments or disbursements made pursuant to Section 2.01 or as otherwise permitted under paragraph 50.82(a)(8) of Title 10 of the Code of Federal Regulations, no disbursement or payment may be made from the Master Trust until written notice of the intention to make disbursement or payment has been given to the Nuclear Regulatory Commission Director of the Office of Nuclear Regulation, or Director of the Office of Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 7 effective December 24, 2003.

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: Wall Aher

Title: Executive Director

**SAN DIEGO GAS & ELECTRIC COMPANY**

By: *[Signature]* Attest: \_\_\_\_\_  
Senior Vice President  
Title: Electric Transmission Title: \_\_\_\_\_

APPROVED as to legal form: *[Signature]*

**MELLON BANK, N. A.**

By: *Paul L. Kraw* Attest: *[Signature]*  
Title: VP Title: TRUST OFFICER