

March 15, 2005

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

Subject: **Docket Nos. 50-361 and 50-362**
10 CFR 50.75(f)(1) Decommissioning Funding Report
San Onofre Nuclear Generating Station Units 2 and 3

Gentlemen:

As required by 10 CFR 50.75(f)(1), this letter provides the status of the decommissioning funding for San Onofre Units 2 and 3 as of December 31, 2004. The required information is provided in the enclosure for Southern California Edison (SCE), San Diego Gas & Electric and the Cities of Anaheim and Riverside. Based on the requirements in 10 CFR 50.75(f)(1), reporting of this information for San Onofre Units 2 and 3 is on a biennial basis.

If you 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
B. M. Pham, NRC Project Manager, San Onofre Units 2 and 3
C. C. Osterholtz, NRC Senior Resident Inspector, San Onofre Units 2 and 3

A001

**San Onofre Nuclear Generating Station Units 2 and 3
Decommissioning Funding Status Report**

Provided below is the information required by 10 CFR 50.75(f)(1) for San Onofre Units 2 and 3. This information is reported every other year for San Onofre Units 2 and 3 as required for operating plants.

All dollar amounts are in 2004 dollars, and the owners are reported as follows:

Southern California Edison (SCE)	75.05 %
San Diego Gas & Electric (SDG&E)	20.00 %
City of Anaheim (Anaheim)	3.16 %
City of Riverside (Riverside)	1.79 %

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).

<u>San Onofre Unit 2</u>	<u>San Onofre Unit 3</u>
\$ 417.1 million	\$ 417.1 million

b) The San Onofre Units 2 and 3 site-specific estimate ⁽¹⁾ for decommissioning includes the following radiological decommissioning costs associated with terminating the site license:

<u>San Onofre Unit 2</u>	<u>San Onofre Unit 3</u>
\$ 922.4 million	\$ 926.0 million

2) The amounts accumulated at the end of calendar year 2004 (net of estimated capital gains taxes) are:

<u>Owner</u>	<u>San Onofre Unit 2</u>	<u>San Onofre Unit 3</u>
SCE	\$ 765.9 million	\$ 941.3 million
SDG&E ⁽²⁾	\$ 199.6 million	\$ 250.9 million
Anaheim ⁽²⁾	\$ 44.5 million	\$ 48.4 million
Riverside ⁽²⁾	\$ 19.2 million	\$ 23.2 million
TOTAL	\$1,029.2 million	\$1,263.8 million

3) The annual amounts being collected are:

<u>Owner</u>	<u>San Onofre Unit 2</u>	<u>San Onofre Unit 3</u>
SCE	\$15,754,000	\$ 5,406,000
SDG&E ⁽²⁾	\$ 5,019,000	\$ 1,673,000
Anaheim ⁽²⁾	\$ 960,000	\$ 1,040,000
Riverside ⁽²⁾	\$ 1,138,000	\$ 443,000
TOTAL	\$22,871,000	\$ 8,562,000

Each owner either (A) recovers, directly or indirectly, the estimated total cost of decommissioning through rates established by "cost of service" or similar rate making regulation, including entities that establish their own rates and are able to recover their cost of service allocable to decommissioning, or (B) has as its source of revenues for its external sinking fund a "non-bypassable charge," the total amount of which, with earnings, provides the funds estimated to be needed for decommissioning.

4) The composite escalation rates for San Onofre Units 2 and 3 Decommissioning are forecast as follows:

<u>Owner</u>	<u>Escalation Rate</u>
SCE and SDG&E ⁽²⁾	
Burial Costs	7.50 %
Other Costs	2.72 %
Anaheim ⁽²⁾	4.00 %
Riverside ⁽²⁾	4.00 %

The composite escalation rate is 3.9 % for all costs.

5) The investment rates of return for the Decommissioning Trust Funds forecast by each owner are the following:

<u>Owner</u>	<u>Return on Investment</u>
SCE	5.35 %
SDG&E ⁽²⁾	5.34 %
Anaheim ⁽²⁾	2.50 %
Riverside ⁽²⁾	3.06 %

The composite investment rate of return is 5.2 %. 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 Units 2 and 3 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.
- 7) Amendments to the SCE and SDG&E Nuclear Facilities Qualified and Nonqualified CPUC Decommissioning Master Trust Agreements (MTAs) are attached and are the same amendments provided in the March 29, 2004 Decommissioning Funding Report for San Onofre Unit 1. The amended MTAs are in compliance with 10 CFR 50.75(h)(2). No amendments to the MTAs for the cities of Anaheim and Riverside were required, because the provisions of their MTAs were already in compliance with 10 CFR 50.75(h)(2).

- Notes:
- (1) The site-specific decommissioning cost estimate for San Onofre Units 2 and 3 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 Units 2 and 3 decommissioning cost estimate on October 2, 2003, Decision 03-10-015.
 - (2) SCE is submitting information with respect to its co-owners, SDG&E and the Cities of Anaheim and Riverside, on their behalf, and they are primarily responsible for the completeness and accuracy of their respective information.

ATTACHMENT 1

**Amendment to the SCE
Decommissioning
Master Trust Agreement**

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;

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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: Wally 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: TWIST 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.

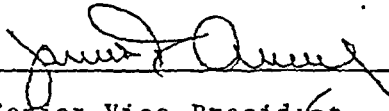
IN WITNESS WHEREOF, the Parties have executed this Amendment No. 5 effective December 24, 2003.

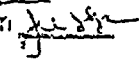
CALIFORNIA PUBLIC UTILITIES COMMISSION

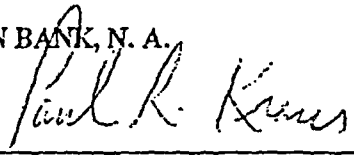
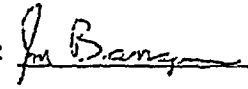
By: W. W. Aher

Title: Executive Director

SAN DIEGO GAS & ELECTRIC COMPANY

By:  Attest: _____
Senior Vice President
Electric Transmission
Title: _____ Title: _____

APPROVED as to legal form: 

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

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

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: Will Aher

Title: Executive Director

SAN DIEGO GAS & ELECTRIC COMPANY

By: *James J. O'Connell* Attest: _____
Senior Vice President
Title: Electric Transmission Title: _____

APPROVED as to legal form: *J. B. ...*

MELLON BANK, N. A.

By: *Paul L. Kraus* Attest: *J. B. ...*
Title: *VP* Title: *Trust Officer*