

February 23, 2006

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:

By separate correspondence Southern California Edison (SCE) will request U.S. Nuclear Regulatory Commission's consent to transfer the City of Anaheim's 3.16% undivided ownership interests in San Onofre Nuclear Generating Station, Units 2 and 3 to SCE. 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, 2005. The required information is provided in the enclosure for Southern California Edison, San Diego Gas & Electric and the Cities of Anaheim and Riverside. Based on the requirements in 10 CFR 50.75(f)(1), SCE is reporting this information for San Onofre Units 2 and 3 on an annual basis during the period it is involved in an acquisition

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**
N. Kalyanam, NRC Project Manager, San Onofre Units 2 and 3
C. C. Osterholtz, NRC Senior Resident Inspector, San Onofre Units 2 and 3

**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 2005 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>
\$ 446.0 million	\$ 446.0 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>
\$ 962.3 million	\$ 961.7 million

2) The amounts accumulated at the end of calendar year 2005 (net of estimated capital gains taxes) are:

<u>Owner</u>	<u>San Onofre Unit 2</u>	<u>San Onofre Unit 3</u>
SCE	\$ 820.2 million	\$ 995.6 million
SDG&E ⁽²⁾	\$ 214.1 million	\$ 265.2 million
Anaheim ⁽²⁾	\$ 45.5 million	\$ 49.5 million
Riverside ⁽²⁾	<u>\$ 20.7 million</u>	<u>\$ 24.0 million</u>
TOTAL	\$ 1,100.5 million	\$ 1,334.3 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⁾	\$ 250,000	\$ 250,000
Riverside ⁽²⁾	\$ 1,138,000	\$ 443,000
TOTAL	\$22,161,000	\$ 7,772,000

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 3.39 % 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⁾	3.00 %
Riverside ⁽²⁾	3.18 %

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.

- 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 November 10, 2005, includes the radiological costs associated with terminating the site license, non-radiological costs, and fuel storage costs.
 - (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