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A. Edward Scherer
Manager of
Nuclear Regulatory Affairs

March 13, 2006

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, 2005. 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 have any questions regarding this matter, please feel free to contact Jack L. Rainsberry at (949) 368-7420.

Sincerely,

Enclosure: As stated

cc: B. S. Mallett, Regional Administrator, NRC Region IV
D. B. Spitzberg, NRC Region IV, San Onofre Unit 1
J. C. Shepherd, NRC Project Manager, San Onofre Unit 1
C. C. Osterholtz, NRC Senior Resident Inspector, San Onofre Units 2 and 3

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San Onofre Nuclear Generating Station Unit 1 Decommissioning Funding Status Report

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 2005 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 \$368.9million.
 - b) The San Onofre Unit 1 site-specific estimate ⁽¹⁾ for decommissioning includes the following radiological decommissioning costs associated with terminating the site license:

	<u>San Onofre Unit 1</u>
Estimate of Radiological Costs	\$426.3 million
Actual Radiological Costs through 12/31/2005	<u>\$275.2 million</u>
To Go Costs	\$151.1 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 2005 (net of estimated capital gains taxes) is:

Owner	<u>San Onofre Unit 1</u>
SCE	\$ 251.1 million
SDG&E ⁽²⁾	<u>\$ 102.2 million</u>
TOTAL	\$ 353.3 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.
- 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 and no material changes to the trust agreements since the March 29, 2004 Decommissioning Funding Report for San Onofre Unit 1.

Notes: (1) The site-specific decommissioning cost estimate for San Onofre Unit 1 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-owner, SDG&E. SDG&E is responsible for the completeness and accuracy of their information.