

September 27, 2006

Mr. Richard M. Rosenblum  
Senior Vice President and Chief Nuclear Officer  
Southern California Edison Company  
San Onofre Nuclear Generating Station  
P.O. Box 128  
San Clemente, CA 92674-0128

SUBJECT: SAN ONOFRE NUCLEAR GENERATING STATION, UNITS 2 AND 3 - ORDER APPROVING THE TRANSFER OF LICENSES PERMITTING THE TRANSFER OF THE UNDIVIDED OWNERSHIP INTEREST HELD BY THE CITY OF ANAHEIM TO SOUTHERN CALIFORNIA EDISON COMPANY, EXCLUDING ITS INTEREST IN SPENT FUEL AND IN THE INDEPENDENT SPENT FUEL STORAGE INSTALLATION (TAC NOS. MD0345 AND MD0346)

Dear Mr. Rosenblum:

The U.S. Nuclear Regulatory Commission (NRC) staff has completed its review of your application dated March 10, 2006, as supplemented by your submittal dated May 16, 2006. Pursuant to Title 10, Section 50.80, of the *Code of Federal Regulations*, (10 CFR 50.80), your application requested approval of the direct transfer of the Facility Operating Licenses for the San Onofre Nuclear Generating Station, Units 2 and 3 (SONGS 2 and 3) to the extent held by the City of Anaheim (Anaheim) to Southern California Edison Company (SCE). The application excludes Anaheim's interest in its spent fuel and in the SONGS 2 and 3 independent spent fuel storage installation (ISFSI), which will be retained by Anaheim. SCE will retain exclusive responsibility and control over the operation of SONGS 2 and 3. Thus, the proposed transfer does not involve any transfer or change in operating authority.

Pursuant to 10 CFR 50.90, you also requested NRC approval of administrative amendments to the SONGS 2 and 3 licenses to conform the licenses to reflect the proposed transfer.

The enclosed Order (Enclosure 1) approves the proposed license transfers, subject to the conditions described therein. The Order also approves conforming license amendments (Enclosure 2), which will be issued and made effective at the time the transfers are completed.

R. Rosenblum

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Enclosure 3 is the NRC's safety evaluation related to the preceding actions, which will be placed in the NRC Public Document Room and added to the Agencywide Documents Access and Management System's (ADAMS) Publicly Available Records System library. This Order is being forwarded to the Office of the Federal Register for publication.

Sincerely,

/RA/

N. Kalyanam, Project Manager  
Plant Licensing Branch IV  
Division of Operating Reactor Licensing  
Office of Nuclear Reactor Regulation

Docket Nos. 50-361 and 50-362

Enclosures: 1. Order  
2. Conforming Amendments  
3. Safety Evaluation

cc w/encls: See next page

R. Rosenblum

- 2 -

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cc w/encls: See next page

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UNITES STATES OF AMERICANUCLEAR REGULATORY COMMISSION

|  |   |                    |
|--|---|--------------------|
| In the Matter of                                       | ) | Docket No. 50-361  |
|  | ) | Docket No. 50-362  |
| SOUTHERN CALIFORNIA EDISON COMPANY                     | ) |                    |
| THE CITY OF ANAHEIM, CALIFORNIA                        | ) |                    |
|  | ) | License No. NPF-10 |
|  | ) | License No. NPF-15 |
| (San Onofre Nuclear Generating Station, Units 2 and 3) | ) |                    |

## ORDER APPROVING TRANSFER OF LICENSES AND CONFORMING AMENDMENTS

## I.

Southern California Edison Company (SCE), San Diego Gas and Electric Company (SDG&E), the City of Riverside, California (Riverside), and the City of Anaheim, California (Anaheim), are the owners of San Onofre Nuclear Generating Station, Units 2 and 3 (SONGS 2 and 3), located in San Diego County, California. With respect to their ownership, they co-hold the Facility Operating Licenses Nos. NPF-10 and NPF-15, for SONGS 2 and 3. SCE is authorized to act as agent for the other co-owners and has exclusive responsibility and control under the licenses over the physical construction, operation, and maintenance of the facility.

## II.

By application dated March 10, 2006, as supplemented May 16, 2006, SCE, acting on behalf of itself and Anaheim, requested pursuant to Title 10, Section 50.80 of the *Code of Federal Regulations* (10 CFR 50.80), that the Nuclear Regulatory Commission (NRC) consent to certain license transfers to permit the transfer of Anaheim's 3.16-percent undivided ownership interest in SONGS 2 and 3 to SCE, excluding Anaheim's interest in its spent fuel and in the SONGS 2 and 3 independent spent fuel storage installation (ISFSI). The initial

application and the supplement are hereinafter referred to as “the application” unless otherwise indicated. SCE also requested, pursuant 10 CFR 50.90, approval of conforming license amendments to reflect the transfer. The conforming license amendments would address Anaheim’s transfer of its above stated ownership interests in the facility. Anaheim will retain its ownership interests in its spent nuclear fuel and the facility’s ISFSI located on the facility’s site, and financial responsibility for its spent fuel and a portion of the facility’s decommissioning costs. Anaheim proposes to remain a licensee for the purposes of its retained interests and liabilities.

Notice of consideration of approval of the transfer of the Facility Operating Licenses and conforming amendments and an opportunity for a hearing was published in the *Federal Register* on June 8, 2006 (71 FR 33321). No hearing requests or written comments were received.

Pursuant to 10 CFR 50.80, no license, or any right thereunder, shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission shall give its consent in writing. After reviewing the information in SCE’s application and other information before the Commission, and relying upon the representations and agreements contained in the application, the NRC staff has determined that SCE is qualified to hold the licenses to the extent proposed to permit the transfer of Anaheim's 3.16-percent undivided ownership interest in SONGS 2 and 3 to SCE, excluding Anaheim's interest in its spent fuel and in the SONGS 2 and 3 ISFSI, as previously described herein, and that the transfer of the licenses is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission pursuant thereto, subject to the conditions set forth below. The NRC staff has further found that the application for the proposed license amendments complies with the standards and requirements of the Atomic Energy Act (AEA) of 1954, as amended, and the Commission’s rules and regulations set forth in 10 CFR Chapter I; the facility will operate in conformity with the

application, the provisions of the Act, and the rules and regulations of the Commission; there is reasonable assurance that the activities authorized by the proposed license amendments can be conducted without endangering the health and safety of the public and that such activities will be conducted in compliance with the Commission's regulations; the issuance of the proposed license amendments will not be inimical to the common defense and security or the health and safety of the public; and the issuance of the proposed amendments will be in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied. The foregoing findings are supported by a safety evaluation dated September 27, 2006.

### III.

Accordingly, pursuant to Sections 161b, 161i, and 184 of the AEA of 1954, as amended, 42 U.S.C. §§ 2201(b), 2201(i), and 2234, and 10 CFR 50.80, IT IS HEREBY ORDERED that the transfer of the licenses to SCE, as described herein, is approved, subject to the following conditions:

After receipt of all required regulatory approvals of the transfer of Anaheim's 3.16-percent undivided ownership interest in SONGS 2 and 3 to SCE, excluding Anaheim's interest in its spent fuel and in the SONGS 2 and 3 ISFSI, as previously described herein, SCE shall inform the Director, Office of Nuclear Reactor Regulation, in writing of such receipt, within 5 business days, and of the date of the closing of the transfer no later than 7 business days before the date of closing. If the transfer is not completed by September 27, 2007, this Order shall become null and void, provided however, that upon written application and for good cause shown, such date may be extended in writing.

IT IS FURTHER ORDERED that consistent with 10 CFR 2.1315(b), license amendments that make changes, as indicated in Enclosure 2 to the cover letter forwarding this Order, to conform the licenses to reflect the subject license transfers are approved. The amendments shall be issued and made effective at the time the proposed transfers are completed.

This Order is effective upon issuance.

For further details with respect to this action, see the initial application dated March 10, 2006, the supplemental submittal dated May 16, 2006, and the safety evaluation dated September 27, 2006, which are available for public inspection at the Commission's Public Document Room (PDR), located at One White Flint North, 11555 Rockville Pike (first floor), Rockville, Maryland, and accessible electronically through the Agencywide Documents Access and Management System (ADAMS) Public Electronic Reading Room on the Internet on the NRC's Web site <http://www.nrc.gov/reading-rm/adams.html>. Persons who do not have access to ADAMS or who encounter problems in accessing the document located in ADAMS, should contact the Office of Nuclear Reactor Regulation PDR reference staff by telephone at 1-800-397-4209, 301-415-4737, or by email to [PDR@nrc.gov](mailto:PDR@nrc.gov).

Dated at Rockville, Maryland, this 27th day of September 2006.

FOR THE NUCLEAR REGULATORY COMMISSION

*/RA/*

J. E. Dyer, Director  
Office of Nuclear Reactor Regulation

SOUTHERN CALIFORNIA EDISON COMPANY

SAN DIEGO GAS AND ELECTRIC COMPANY

THE CITY OF RIVERSIDE, CALIFORNIA

THE CITY OF ANAHEIM, CALIFORNIA

DOCKET NO. 50-361

SAN ONOFRE NUCLEAR GENERATING STATION, UNIT 2

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.  
License No. NPF-10

1. The Nuclear Regulatory Commission (the Commission) has found that:
  - A. The application for amendment by Southern California Edison Company, et al. (SCE or the licensee), dated March 10, 2006, as supplemented by submittal dated May 16, 2006, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's regulations set forth in 10 CFR Chapter I;
  - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
  - C. There is reasonable assurance (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations;
  - D. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public; and
  - E. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.

2. Accordingly, the license is hereby amended as indicated in the attachment to this license amendment.
3. This license amendment is effective as of its date of issuance and shall be implemented within 90 days.

FOR THE NUCLEAR REGULATORY COMMISSION

J. E. Dyer, Director  
Office of Nuclear Reactor Regulation

Attachment: Changes to the Facility Operating License

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NO. \_\_\_\_\_

FACILITY OPERATING LICENSE NO. NPF-10

DOCKET NO. 50-361

Replace the following pages of the Facility Operating License with the attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

REMOVE

Page 2  
Page 3

INSERT

Page 2  
Page 3

SOUTHERN CALIFORNIA EDISON COMPANY

SAN DIEGO GAS AND ELECTRIC COMPANY

THE CITY OF RIVERSIDE, CALIFORNIA

THE CITY OF ANAHEIM, CALIFORNIA

DOCKET NO. 50-362

SAN ONOFRE NUCLEAR GENERATING STATION, UNIT 3

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.  
License No. NPF-15

1. The Nuclear Regulatory Commission (the Commission) has found that:
  - A. The application for amendment by Southern California Edison Company, et al. (SCE or the licensee), dated March 10, 2006, as supplemented by submittal dated May 16, 2006, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's regulations set forth in 10 CFR Chapter I;
  - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
  - C. There is reasonable assurance (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations;
  - D. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public; and
  - E. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.

2. Accordingly, the license is hereby amended as indicated in the attachment to this license amendment.
3. This license amendment is effective as of its date of issuance and shall be implemented within 90 days.

FOR THE NUCLEAR REGULATORY COMMISSION

J. E. Dyer, Director  
Office of Nuclear Reactor Regulation

Attachment: Changes to the Facility Operating License

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NO. \_\_\_\_\_

FACILITY OPERATING LICENSE NO. NPF-15

DOCKET NO. 50-362

Replace the following pages of the Facility Operating License with the attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

REMOVE

Page 2

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Page 2

Page 3

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION  
RELATED TO DIRECT TRANSFER OF LICENSES AND  
SALE OF OWNERSHIP INTEREST IN  
SAN ONOFRE NUCLEAR GENERATING STATION, UNITS 2 AND 3  
AND CONFORMING AMENDMENTS  
DOCKET NOS. 50-361 AND 50-362

1.0 INTRODUCTION

By application dated March 10, 2006, as supplemented by submittal dated May 16, 2006, Southern California Edison Company (SCE), acting on behalf of itself and the City of Anaheim, California (Anaheim) (the Applicants), requested that the U.S. Nuclear Regulatory Commission (NRC), pursuant to Title 10, Section 50.80 of the *Code of Federal Regulations* (10 CFR 50.80), consent to the direct license transfers that would be necessary to permit the purchase by SCE of Anaheim's 3.16-percent undivided ownership interest in San Onofre Nuclear Generating Station, Units 2 and 3 (SONGS 2 and 3). The proposed transfer would exclude Anaheim's interest in its portion of the spent fuel and also of the independent spent fuel storage installation (ISFSI), at SONGS 2 and 3, as well as Anaheim's share of decommissioning funds for the two reactors. SCE will retain exclusive responsibility and control over the operation of SONGS 2 and 3; therefore, the proposed transfers do not involve any transfer of or change in operating authority.

The application also requested approval of conforming amendments to the SONGS 2 and 3 licenses to reflect the transfers of the 3.16-percent ownership interest in both units to SCE. Anaheim will remain a licensee as it will retain its ownership interest in and financial responsibility for its share of the spent nuclear fuel, the ISFSI, and the ultimate decommissioning costs of SONGS 2 and 3.

2.0 BACKGROUND

The current owners of SONGS 2 and 3 are SCE (75.05 percent current ownership share), San Diego Gas & Electric (SDG&E) (20.00 percent), Anaheim (3.16 percent), and the City of Riverside, California (1.79 percent). SCE and Anaheim entered into a settlement agreement dated December 20, 2005, in which SCE agreed to purchase all of Anaheim's ownership interest in SONGS 2 and 3, except for the excluded items cited above (i.e., Anaheim's portion of the spent fuel, the ISFSI, and decommissioning funds for SONGS 2 and 3).

The application states that SCE currently serves its native load customers with its current 75.05-percent share of electricity from SONGS 2 and 3 and intends to continue serving these customers with its additional 3.16-percent share of electricity production resulting from its purchase of Anaheim's ownership share, for a proposed total share of 78.21 percent.

As required by the current licenses, SCE is authorized to act as agent for the other co-owners, and SCE has exclusive responsibility and control over the physical construction, operation, and maintenance of the SONGS facility. The application states that the proposed transfers of control will not result in any change in the current role of SCE as the licensed operator of the facility and will not result in any changes to its technical qualifications. Also, no changes in the daily operations of the units, no physical changes to the units, and no changes in the executive management of SONGS 2 and 3 are expected to result from the proposed transfers.

SCE is a wholly owned subsidiary of Edison International Company, and both companies are headquartered in Rosemead, California. Edison International, through its subsidiaries, is a generator and distributor of electric power, with generation capacity of approximately 14,000 megawatts. SCE is a California corporation and a regulated electric utility with more than 13 million customers in central, coastal, and southern California.

The application states that Anaheim is a municipal entity that establishes its own rates and will continue to recover its cost of service related to SONGS 2 and 3.

### 3.0 REGULATORY EVALUATION

The applicants request the approval of the direct transfer of the licenses as described in this safety evaluation, pursuant to 10 CFR 50.80. Paragraph 50.80(a) of 10 CFR states, "No license for a production or utilization facility, or any right thereunder, shall be transferred, assigned, or in any manner disposed of, either voluntarily or involuntarily, directly or indirectly, through the transfer of control of the license to any person, unless the Commission shall give its consent in writing."

In addition, the requirements of 10 CFR 50.80(b) and (c) apply. Paragraph 50.80(b) states that an applicant for a license transfer shall include as much of the information described in 10 CFR 50.33 and 50.34 of this part "with respect to the identity and technical and financial qualifications of the proposed transferee as would be required by those sections if the application were for an initial license ..." Paragraph 50.80(c) states that "the Commission will approve application for the transfer of a license, if the Commission determines: (1) That the proposed transferee is qualified to be the holder of the license; and (2) That transfer of the license is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission pursuant thereto."

The applicants have also requested approval of conforming license amendments, pursuant to 10 CFR 50.90, to reflect the license transfers.

## 4.0 EVALUATIONS

### 4.1 Financial Qualifications

Pursuant to 10 CFR 50.33(f), an electric utility as defined in 10 CFR 50.2 is not required to demonstrate its financial qualifications. Title 10, Section 50.2, defines an electric utility as “any entity that generates or distributes electricity and which recovers the cost of this electricity, either directly or indirectly, through rates established by the entity itself or by a separate regulatory authority.”

The application states that SCE is a regulated electric utility that receives more than 80 percent of its revenues (including revenues from its nuclear generation) from cost-of-service rate regulation and that the proposed transfers will not affect SCE’s status as a regulated electric utility. The NRC staff finds that SCE is an electric utility as defined in 10 CFR 50.2 and is aware of no information that suggests that, following the proposed transfers, SCE will not remain an electric utility. Accordingly, no specific demonstration of financial qualifications by SCE is required.

The application states that Anaheim will retain its ownership interest in its portion of the spent nuclear fuel and the ISFSI at SONGS 2 and 3 and will remain an NRC licensee responsible for its share of financial obligations related to these items. The submittal dated May 16, 2006, states that, while Anaheim, as of the date of transfer, will be responsible for 3.16 percent of all costs for spent fuel and related spent fuel facilities (e.g., the ISFSI, the spent fuel pool, and other spent fuel costs), “the relative percentage of Anaheim’s spent fuel to total spent fuel will decline over time as more spent fuel is generated. SCE will be responsible for spent fuel generated by its 3.16% of SONGS 2 and 3 during the period from and after the date of transfer.” The submittal dated May 16, 2006, also states, “In addition, Anaheim and SCE have agreed upon various mechanisms for tracking Anaheim’s share of the costs for the Anaheim spent fuel during the times when it is stored in the spent fuel pool and then in dry storage. For example, when all of Anaheim’s spent fuel is moved to dry storage, Anaheim will no longer pay a share of costs for the spent fuel pool.” Anaheim and SCE have agreed to contractual arrangements for allocating Anaheim’s declining share of all spent fuel and related costs after the time of the transfer.

The NRC staff finds that, because Anaheim is a municipal utility that sets its own rates, it qualifies as an electric utility and that, following the proposed transfers, Anaheim should continue to be able to recover costs associated with its spent fuel and related facilities. Accordingly, no specific demonstration of financial qualifications by Anaheim is required.

### 4.2 Decommissioning Funding Assurance

The NRC has determined that the requirements to provide reasonable assurance of decommissioning funding are necessary to ensure the adequate protection of public health and safety.

The application states that, following the proposed transfers, Anaheim will retain a portion of the liability for decommissioning SONGS 2 and 3 relating to the period of time in which it owned its 3.16-percent interest in SONGS, and SCE will assume responsibility for the portion of the liability for decommissioning SONGS 2 and 3 relating to the period of time in which it will own

an additional 3.16-percent interest in SONGS 2 and 3 after the transfer of ownership. The exact proportion of liability ultimately to be assigned to Anaheim and SCE will be determined by the actual operating life of SONGS 2 and 3 and will, therefore, be determined by any relevant future events, such as a premature shutdown or plant life extension. Anaheim and SCE have agreed contractually that after the transfer, Anaheim's initial 3.16-percent obligation for costs related to the decommissioning of SONGS 2 and 3 will decline over time in accordance with a formula agreed to by both parties.

Both SCE and Anaheim will continue to maintain external sinking funds segregated from their assets and outside their administrative control in accordance with the requirements of 10 CFR 50.75(e)(1). The most recently reported amounts of decommissioning funds in these external sinking funds for both SONGS 2 and 3 accumulated by both SCE and Anaheim are well in excess of the NRC's estimate of minimum required funding for each unit, such that both licensees have prepaid their required proportionate share for each unit.

The application also states that Anaheim will remain an NRC licensee directly responsible to the NRC for its share of funding the decommissioning of SONGS 2 and 3 as described above. Anaheim establishes its own rates as a municipal utility to recover its decommissioning liability and also is contractually obligated to SCE to provide funds for this liability. Therefore, to the extent that it is necessary for SCE to provide decommissioning funding assurance for the entire decommissioning liability associated with its ownership interest in SONGS 2 and 3, SCE will rely upon its contractual rights to funding from Anaheim for the portion of the liability to be funded by Anaheim and also, if needed, will seek rate recovery necessary for SCE's required contributions to its external sinking fund for its portion of the liability through cost-of-service ratemaking. The staff notes that, even though both Anaheim and SCE have fully prepaid the decommissioning funding, each has provided additional means for decommissioning funding if required.

Based on the foregoing, the NRC staff finds that both SCE and Anaheim have provided reasonable assurance of decommissioning funding as required by the NRC pursuant to 10 CFR 50.75 and will continue doing so following the proposed transaction.

#### 4.3 Antitrust Review

The Atomic Energy Act of 1954, as amended, does not require or authorize antitrust reviews of postoperating license transfer applications. *Kansas Gas and Electric Co., et al.* (Wolf Creek Generating Station, Unit 1), CLI-99-19, 49 NRC 441 (1999). The application submitted by the licensee postdates the issuance of the operating licenses for SONGS 2 and 3, and, therefore, no antitrust review is required or authorized. The staff notes that SCE is subject to existing antitrust license conditions, but that there are no proposed changes to these conditions in connection with the subject license transfers.

#### 4.4 Foreign Ownership, Control, or Domination

Section 103d of the AEA prohibits the NRC from issuing a license for a nuclear power plant to "any corporation or other entity if the Commission knows or has reason to believe it is owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government." The NRC's regulation, 10 CFR 50.38, contains language to implement this prohibition.

Edison International is a publicly traded company, and its securities are traded on the New York Stock Exchange and are widely held. SCE is a wholly-owned subsidiary of Edison International and both are U.S. companies headquartered in California. The application states that all directors and executive officers of both Edison International and SCE are U.S. citizens.

Section 13 of the Securities Exchange Act of 1934, as amended, 15 U.S.C. 78m(d) (1934 Act), requires that a person or entity that owns or controls more than 5 percent of the stock of a company subject to the 1934 Act must file notice with the Securities and Exchange Commission (SEC). The application states that, based on review of the relevant filings with the SEC, SCE and Edison International are not aware of any alien, foreign corporation, or foreign government that holds more than 5 percent of the securities of Edison International or SCE, and as such, there is no reason to believe that either SCE or Edison International is owned, controlled, or dominated by any alien, foreign corporation, or foreign government. The NRC staff does not know or have reason to believe otherwise.

#### 4.5 Nuclear Insurance and Indemnity

The application and the submittal dated May 16, 2006, stated that SCE, as the new owner of the 3.16-percent interest of the units now currently owned by Anaheim, will maintain all property damage insurance and nuclear energy liability insurance that is required under NRC regulations.

The submittal dated May 16, 2006, also states that Anaheim will remain a SONGS 2 and 3 licensee and that, upon closing, Anaheim will retain financial responsibility for its pro rata share of all relevant insurance costs (property, third-party liability, and so forth). This financial responsibility will also include amounts that American Nuclear Insurers would charge for administering the secondary layer of insurance protection under the Price-Anderson Act. The submittal dated May 16, 2006, states that this pro rata share of Anaheim's responsibility for insurance obligations to SCE will be determined by "a negotiated formula based on the expected decommissioning date." The submittal dated May 16, 2006, states that, upon closing, Anaheim's share of the insurance premiums will be set at 1.89 percent, but this share amount could change in the future based on a formula covering events that would affect the currently expected decommissioning dates of either unit, such as a premature shutdown or plant life extension.

In accordance with the Price-Anderson Act, both SCE and Anaheim must continue to be named in the primary insurance policy and bond and participate in the secondary retrospective insurance pool. SCE ultimately will be responsible for maintaining all insurance premiums for the full 3.16-percent share which it is acquiring in addition to its current 75.05-percent insurance obligation. Anaheim in turn is contractually obligated to pay its pro rata share of insurance obligations to SCE.

Pursuant to 10 CFR Part 140, SCE, already a licensee for SONGS 2 and 3, provides the required amount of property and liability insurance. Therefore, no additional demonstration of compliance will be required.

#### 4.6 Technical Qualification Evaluation

In the application, SCE states:

The technical qualifications of SCE are not affected by the proposed transfer of Anaheim's 3.16 % interest in SONGS 2&3. There will be no physical changes to SONGS 2&3 and no changes in the day-to-day operations of SONGS 2&3 in connection with the transfer of control of Anaheim's interest in SONGS 2&3. SCE will at all times remain the licensed operator of SONGS 2&3, and there will be no changes in the SCE senior management team resulting from the proposed license transfer.

According to this statement, the transfer of Anaheim's ownership interest in SONGS to SCE will have no effect on the management, operation, or maintenance of the SONGS units. Furthermore, the restructuring will not involve any change to the management, technical organization, or staff for operating the SONGS units and will not require any change in the numbers and qualifications of SCE personnel who operate SONGS. The NRC staff concludes that the SCE request for transfer of ownership is consistent with and meets the intent of the relevant review criteria and is acceptable.

#### 4.7 Summary

In view of the foregoing, the NRC staff concludes, with respect to the transfer of Anaheim's ownership interest in SONGS 2 and 3 to SCE (excluding those items as specified herein), that SCE is qualified to hold the SONGS 2 and 3 licenses to the extent proposed, and that the transfer of the SONGS 2 and 3 licenses from Anaheim to SCE as proposed is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission.

### 5.0 CONFORMING AMENDMENTS

The applicants have requested approval of proposed conforming amendments to the operating licenses for SONGS 2 and 3. The requested changes reflect the proposed transfer of ownership of Anaheim's 3.16 percent ownership interest to SCE, while also reflecting that Anaheim would retain its ownership interest in its spent nuclear fuel and the ISFSI located on the SONGS site and, in addition, retain financial responsibility for its spent fuel and for a portion of the SONGS 2 and 3 decommissioning costs. Thus, the proposed amendments are intended to be consistent with Anaheim remaining a licensee for purposes of its retained interest and liabilities. The applicants have requested no physical or operating changes to the facility.

#### 5.1 Discussion

The changes to be made to the SONGS 2 and 3 operating licenses accurately reflect the approved transfer action. The amendments involve no safety questions and are administrative in nature. Accordingly, the NRC staff finds the proposed amendments are acceptable.

#### 5.2 Conclusion with Respect to the Conforming Amendments

The Commission has concluded, based on the considerations discussed above, that (1) there is reasonable assurance that the health and safety of the public will not be endangered by

operation in the proposed manner, (2) such activities will be conducted in compliance with the Commission's regulations, and (3) the issuance of the amendments will not be inimical to the common defense and security or to the health and safety of the public.

#### 6.0 STATE CONSULTATION

In accordance with the Commission's regulations, the NRC notified the California State official of the proposed issuance of the amendment. The State official had no comments.

#### 7.0 ENVIRONMENTAL CONSIDERATION

The subject application is for approval of the transfer of licenses issued by the NRC and approval of conforming amendments. Accordingly, the actions involved meet the eligibility criteria for categorical exclusion set forth in 10 CFR 51.22(c)(21). Pursuant to 10 CFR 51.22(b), no environmental impact statement or environmental assessment need be prepared in connection with approval of the application.

#### 7.0 CONCLUSIONS

In view of the foregoing, the NRC staff finds that SCE is qualified to hold the SONGS 2 and 3 licenses to the extent proposed, and that the transfer of the licenses as discussed herein, is otherwise consistent with the applicable provisions of law, regulations, and orders issued by the Commission.

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Date: September 27, 2006

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