

April 6, 2007

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

Subject: **Docket Nos. 50-361, 50-362, 50-528, 50-529, and 50-530
Annual Report of Guarantee of Payment of Deferred Premium
San Onofre Nuclear Generating Station Units 2 and 3
Palo Verde Nuclear Generating Station Units 1, 2, and 3**

Gentlemen:

10 CFR 140.21 requires Southern California Edison (SCE), as agent for the owners of the San Onofre Nuclear Generating Station Units 2 and 3 and SCE's 15.8% ownership share of Palo Verde Units 1, 2, and 3, to provide evidence that it maintains a guarantee of payment of deferred premium in an amount of \$15 million for each reactor SCE is licensed to operate. In accordance with option (e) of 10 CFR 140.21 and with 10 CFR 50.71(b), SCE has provided its quarterly Form 10-Q report to the Securities and Exchange Commission. SCE will, therefore, no longer be submitting an annual certified financial statement.

SCE is providing the enclosed 2006 Internal Cash Flow statement which is from the consolidated financial statements included in SCE's 2006 annual report.

If you have any questions or require further information about this matter, please contact Ms. Linda Conklin at 949-368-9443.

Sincerely,



Enclosure

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

SOUTHERN CALIFORNIA EDISON COMPANY

2006 Internal Cash Flow

(Dollars in Millions)

	<u>2006 Actual</u>
Net Income After Taxes	\$827
Dividends Paid	<u>\$300</u>
Retained Earnings	\$527
Adjustments:	
Depreciation & Decommissioning	\$1,026
Net Deferred Taxes & ITC	(\$358)
Allowance for Funds Used During Construction	<u>(\$50)</u>
Total Adjustments	\$618
 Internal Cash Flow	 \$1,145
 Average Quarterly Cash Flow	 \$286

Percentage Ownership in All Nuclear Units:

San Onofre Nuclear Generating Station Units 2 & 3	
o Southern California Edison Company	78.21%
o San Diego Gas & Electric Company	20.00%
o City of Anaheim	0.00%
o City of Riverside	1.79%
 Palo Verde Nuclear Generating Station Units 1, 2 & 3	 15.80%

Maximum Total Contingent Liability:

San Onofre Nuclear Generating Station Unit 2	\$15.00	(1)
San Onofre Nuclear Generating Station Unit 3	\$15.00	(1)
Palo Verde Nuclear Generating Station Unit 1	\$2.37	(2)
Palo Verde Nuclear Generating Station Unit 2	\$2.37	(2)
Palo Verde Nuclear Generating Station Unit 3	\$2.37	(2)
Total	\$37.11	

(1) The value represents 100% of the SONGS Annual Per Incident Contingent Liability

(2) The value represents 15.8% (SCE's Share) of the Palo Verde Annual Per Incident Contingent Liability