

SOUTHERN CALIFORNIA EDISON COMPANY

Docket # 50-206

Accession # 9007260253

Date 7/24/90 of Ltr

Regulatory Docket File

REPORT ASSURING THE
AVAILABILITY OF FUNDS
FOR DECOMMISSIONING
SAN ONOFRE UNITS 1, 2, AND 3

July 24, 1990

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Decommissioning Master Trust Committee for the
CPUC Qualified Master Trust

Enclosure 4.B
(Applicable to
SONGS 1, 2, and 3)

Southern California Edison Company - Investment
Management Agreement Between RCM Capital
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CPUC Non-Qualified Master Trust

Enclosure 4.C
(Applicable to
SONGS 1, 2, and 3)

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SONGS 1, 2, and 3)

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Decommissioning Master Trust Committee for the
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ENCLOSURE 1.A

**SOUTHERN CALIFORNIA EDISON COMPANY
CERTIFICATE OF FINANCIAL ASSURANCE FOR
DECOMMISSIONING SAN ONOFRE UNIT 1**

SOUTHERN CALIFORNIA EDISON COMPANY
CERTIFICATE OF FINANCIAL ASSURANCE FOR
DECOMMISSIONING SAN ONOFRE UNIT 1
10 C.F.R. § 50.75 (b)

Southern California Edison Company (SCE) hereby certifies that financial assurance for decommissioning SCE's 80.00% interest in Unit 1 of the San Onofre Nuclear Generating Station will be provided in an amount which may be more but not less than 80.00% of the amount stated in 10 C.F.R. § 50.75(c)(1)(i), adjusted annually using a rate at least equal to that stated in 10 C.F.R. § 50.75(c)(2). Such amounts will be accumulated in accordance with 10 C.F.R. § 50.75(e), through the mechanism of an external sinking fund in which deposits are made at least annually, unless any such annual deposits have been prepaid.

SCE entered into a Decommissioning Trust Agreements dated November 25, 1987 with Harris Trust and Savings Bank, as Trustee, and the California Public Utilities Commission. [See Enclosure 1.B.i.a and Enclosure 1.B.i.b]. Pursuant to the Trust Agreement, SCE has also entered into Investment Management Agreements, dated January 25, 1988 with RCM Capital Management and January 26, 1988 with STW Fixed Income Management. [See Enclosure 1.B.ii.a, Enclosure 1.B.ii.b, and Enclosure 1.B.ii.c].

San Onofre Unit 1 is a Pressurized Water Reactor licensed to operate at a maximum reactor power of 1347 megawatts-thermal (Mwt). Therefore, San Onofre Unit 1 is subject to the 10 C.F.R. § 50.75(c)(1)(i) minimum funding requirements for a pressurized water reactor producing less than 3400 Mwt. Accordingly, the minimum value required in January 1986 dollars is equal to {75 million + [(0.0088) x 1347] million} or \$86.9 million. As required, this amount is adjusted annually at a rate which is at least equal to the rate determined by the formula stated in 10 C.F.R. § 50.75(c)(2) when the latest information available is used.

SCE further certifies that deposits will continue to be made into the trust fund in an amount or amounts which are necessary to maintain a calendar year funding level at or above 80.00% of the multiplicative product of (A) and (B); where: (A) is the latest adjusted/escalated value for the required NRC minimum amount; and (B) is the fractional result obtained by dividing (C) by (D); where (C) is the number of years, and any portion thereof, between March 27, 1967 (issuance date of the License) and the end of the calendar year for which the amount is being calculated, and (D) is the number of years, and any portion thereof, between March 27, 1967 and March 2, 2004 (expiration date of the License).

Signed: Michael L. Noel

Name: Michael L. Noel
Title: Vice President & Treasurer
Address: 2244 Walnut Grove Avenue
City: Rosemead, California 91770
Telephone No.: (818) 302-1086

ENCLOSURE 1.B

**SOUTHERN CALIFORNIA EDISON COMPANY
CERTIFICATE OF FINANCIAL ASSURANCE FOR
DECOMMISSIONING SAN ONOFRE UNIT 2**

SOUTHERN CALIFORNIA EDISON COMPANY
CERTIFICATE OF FINANCIAL ASSURANCE FOR
DECOMMISSIONING SAN ONOFRE UNIT 2
10 C.F.R. § 50.75 (b)

Southern California Edison Company (SCE) hereby certifies that financial assurance for decommissioning SCE's 75.05% interest in Unit 2 of the San Onofre Nuclear Generating Station will be provided in an amount which may be more but not less than 75.05% of the amount stated in 10 C.F.R. § 50.75(c)(1)(i), adjusted annually using a rate at least equal to that stated in 10 C.F.R. § 50.75(c)(2). Such amounts will be accumulated in accordance with 10 C.F.R. § 50.75(e), through the mechanism of an external sinking fund in which deposits are made at least annually, unless any such annual deposits have been prepaid.

SCE entered into a Decommissioning Trust Agreements dated November 25, 1987 with Harris Trust and Savings Bank, as Trustee, and the California Public Utilities Commission. [See Enclosure 1.B.i.a and Enclosure 1.B.i.b]. Pursuant to the Trust Agreement, SCE has also entered into an Investment Management Agreements, dated January 25, 1988 with RCM Capital Management and January 26, 1988 with STW Fixed Income Management. [See Enclosure 1.B.ii.a, Enclosure 1.B.ii.b, and Enclosure 1.B.ii.c].

San Onofre Unit 2 is a Pressurized Water Reactor licensed to operate at a maximum reactor power of 3390 megawatts-thermal (Mwt). Therefore, San Onofre Unit 2 is subject to the 10 C.F.R. § 50.75(c)(1)(i) minimum funding requirements for a pressurized water reactor producing less than 3400 Mwt. Accordingly, the minimum value required in January 1986 dollars is equal to $(75 \text{ million} + [(0.0088) \times 3390] \text{ million})$ or \$104.8 million. As required, this amount is adjusted annually at a rate which is at least equal to the rate determined by the formula stated in 10 C.F.R. § 50.75(c)(2) when the latest information available is used.

SCE further certifies that deposits will continue to be made into the trust fund in an amount or amounts which are necessary to maintain a calendar year funding level at or above 75.05% of the multiplicative product of (A) and (B); where: (A) is the latest adjusted/escalated value for the required NRC minimum amount; and (B) is the fractional result obtained by dividing (C) by (D); where (C) is the number of years, and any portion thereof, between February 16, 1982 (issuance date of the License) and the end of the calendar year for which the amount is being calculated, and (D) is the number of years, and any portion thereof, between February 16, 1982 and October 18, 2013 (expiration date of the License).

Signed: Michael L. Noel

Name: Michael L. Noel
Title: Vice President & Treasurer
Address: 2244 Walnut Grove Avenue
City: Rosemead, California 91770
Telephone No.: (818) 302-1086

ENCLOSURE 1.C

**SOUTHERN CALIFORNIA EDISON COMPANY
CERTIFICATE OF FINANCIAL ASSURANCE FOR
DECOMMISSIONING SAN ONOFRE UNIT 3**

**SOUTHERN CALIFORNIA EDISON COMPANY
CERTIFICATE OF FINANCIAL ASSURANCE FOR
DECOMMISSIONING SAN ONOFRE UNIT 3
10 C.F.R. § 50.75 (b)**

Southern California Edison Company (SCE) hereby certifies that financial assurance for decommissioning SCE's 75.05% interest in Unit 3 of the San Onofre Nuclear Generating Station will be provided in an amount which may be more but not less than 75.05% of the amount stated in 10 C.F.R. § 50.75(c)(1)(i), adjusted annually using a rate at least equal to that stated in 10 C.F.R. § 50.75(c)(2). Such amounts will be accumulated in accordance with 10 C.F.R. § 50.75(e), through the mechanism of an external sinking fund in which deposits are made at least annually, unless any such annual deposits have been prepaid.

SCE entered into a Decommissioning Trust Agreements dated November 25, 1987 with Harris Trust and Savings Bank, as Trustee, and the California Public Utilities Commission. [See Enclosure 1.B.i.a and Enclosure 1.B.i.b]. Pursuant to the Trust Agreement, SCE has also entered into an Investment Management Agreements, dated January 25, 1988 with RCM Capital Management and January 26, 1988 with STW Fixed Income Management. [See Enclosure 1.B.ii.a, Enclosure 1.B.ii.b, and Enclosure 1.B.ii.c].

San Onofre Unit 3 is a Pressurized Water Reactor licensed to operate at a maximum reactor power of 3390 megawatts-thermal (Mwt). Therefore, San Onofre Unit 3 is subject to the 10 C.F.R. § 50.75(c)(1)(i) minimum funding requirements for a pressurized water reactor producing less than 3400 Mwt. Accordingly, the minimum value required in January 1986 dollars is equal to {75 million + [(0.0088) x 3390] million} or \$104.8 million. As required, this amount is adjusted annually at a rate which is at least equal to the rate determined by the formula stated in 10 C.F.R. § 50.75(c)(2) when the latest information available is used.

SCE further certifies that deposits will continue to be made into the trust fund in an amount or amounts which are necessary to maintain a calendar year funding level at or above 75.05% of the multiplicative product of (A) and (B); where: (A) is the latest adjusted/escalated value for the required NRC minimum amount; and (B) is the fractional result obtained by dividing (C) by (D); where (C) is the number of years, and any portion thereof, between November 15, 1982 (issuance date of the License) and the end of the calendar year for which the amount is being calculated, and (D) is the number of years, and any portion thereof, between November 15, 1982 and October 18, 2013 (expiration date of the License).

Signed: Michael L. Noel

Name: Michael L. Noel
Title: Vice President & Treasurer
Address: 2244 Walnut Grove Avenue
City: Rosemead, California 91770
Telephone No.: (818) 302-1086

ENCLOSURE 1.D

**SAN DIEGO GAS & ELECTRIC COMPANY
CERTIFICATE OF FINANCIAL ASSURANCE FOR
DECOMMISSIONING SAN ONOFRE UNIT 1**

SAN DIEGO GAS & ELECTRIC COMPANY
CERTIFICATE OF FINANCIAL ASSURANCE FOR
DECOMMISSIONING SAN ONOFRE UNIT 1
10 C.F.R. Section 50.75 (b)

San Diego Gas & Electric Company (SDG&E) hereby certifies that financial assurance for decommissioning SDG&E's 20.00% interest in Unit 1 of the San Onofre Nuclear Generating Station will be provided in an amount which may be more but not less than 20.00% of the amount stated in 10 C.F.R. Sec. 50.75(c)(1)(i), adjusted annually using a rate at least equal to that stated in 10 C.F.R. Sec. 50.75(c)(2). Such amounts will be accumulated in accordance with 10 C.F.R. Sec. 50.75(e), through the mechanism of an external sinking fund in which deposits are made at least annually, unless any such annual deposits have been prepaid.

SDG&E entered into Decommissioning Trust Agreements dated December 2, 1987 with Harris Trust and Savings Bank, as Trustee, and the California Public Utilities Commission. [See Enclosure 2.B.i.a and Enclosure 2.B.i.b]. Pursuant to the Trust Agreement, SDG&E has also entered into an Investment Management Agreement, dated December 21, 1987 with Delaware Investment Advisers. [See Enclosure 2.B.ii.].

San Onofre Unit 1 is a Pressurized Water Reactor licensed to operate at a maximum reactor power of 1347 megawatts-thermal (MWt). Therefore, San Onofre Unit 1 is subject to the 10 C.F.R. Sec. 50.75(c)(1)(i) minimum funding requirements for a pressurized water reactor producing less than 3400 MWt. Accordingly, the minimum value required in January 1986 dollars is equal to {75 million + [(0.0088) x 1347] million} or \$86.9 million. SDG&E's 20% share is \$17.4 million. As required, this amount is adjusted annually at a rate which is at least equal to the rate determined by the formula stated in 10 C.F.R. Sec. 50.75(c)(2) when the latest information available is used.

SDG&E further certifies that deposits will continue to be made into the trust fund in an amount or amounts which are necessary to maintain a calendar year funding level at or above 20.00% of the multiplicative product of (A) and (B); where: (A) is the latest adjusted/escalated value for the required NRC minimum amount; and (B) is the fractional result obtained by dividing (C) by (D); where (C) is the number of years, and any portion thereof, between March 27, 1967 (issuance date of the License) and the end of the calendar year for which the amount is being calculated, and (D) is the number of years, and any portion thereof, between March 27, 1967 and March 2, 2004 (expiration date of the License).

Signed: _____

Name: Malyn K. Malquist
Title: Treasurer
Address: 101 Ash Street
City: San Diego
Telephone No.: (619) 696-4531

ENCLOSURE 1.E

SAN DIEGO GAS & ELECTRIC COMPANY
CERTIFICATE OF FINANCIAL ASSURANCE FOR
DECOMMISSIONING SAN ONOFRE UNIT 2

SAN DIEGO GAS & ELECTRIC COMPANY
CERTIFICATE OF FINANCIAL ASSURANCE FOR
DECOMMISSIONING SAN ONOFRE UNIT 2
10 C.F.R. Section 50.75 (b)

San Diego Gas & Electric Company (SDG&E) hereby certifies that financial assurance for decommissioning SDG&E's 20.00% interest in Unit 2 of the San Onofre Nuclear Generating Station will be provided in an amount which may be more but not less than 20.00% of the amount stated in 10 C.F.R. Sec. 50.75(c)(1)(i), adjusted annually using a rate at least equal to that stated in 10 C.F.R. Sec. 50.75(c)(2). Such amounts will be accumulated in accordance with 10 C.F.R. Sec. 50.75(e), through the mechanism of an external sinking fund in which deposits are made at least annually, unless any such annual deposits have been prepaid.

SDG&E entered into Decommissioning Trust Agreements dated December 2, 1987 with Harris Trust and Savings Bank, as Trustee, and the California Public Utilities Commission. [See Enclosure 2.B.i.a and Enclosure 2.B.i.b]. Pursuant to the Trust Agreement, SDG&E has also entered into an Investment Management Agreement, dated December 21, 1987 with Delaware Investment Advisers. [See Enclosure 2.B.ii.].

San Onofre Unit 2 is a Pressurized Water Reactor licensed to operate at a maximum reactor power of 3390 megawatts-thermal (Mwt). Therefore, San Onofre Unit 2 is subject to the 10 C.F.R. Sec. 50.75(c)(1)(i) minimum funding requirements for a pressurized water reactor producing less than 3400 Mwt. Accordingly, the minimum value required in January 1986 dollars is equal to {75 million + [(0.0088) x 3390] million} or \$104.8 million. SDG&E's 20% share is \$21.0 million. As required, this amount is adjusted annually at a rate which is at least equal to the rate determined by the formula stated in 10 C.F.R. Sec. 50.75(c)(2) when the latest information available is used.

SDG&E further certifies that deposits will continue to be made into the trust fund in an amount or amounts which are necessary to maintain a calendar year funding level at or above 20.00% of the multiplicative product of (A) and (B); where: (A) is the latest adjusted/escalated value for the required NRC minimum amount; and (B) is the fractional result obtained by dividing (C) by (D); where (C) is the number of years, and any portion thereof, between February 16, 1982 (issuance date of the License) and the end of the calendar year for which the amount is being calculated, and (D) is the number of years, and any portion thereof, between February 16, 1982 and October 18, 2013 (expiration date of the License).

Signed: _____

Name: _____

Title: _____

Address: _____

City: _____

Telephone No.: _____

M. K. Malquist
Malyn K. Malquist
Treasurer
101 Ash Street
San Diego
(619) 696-4531

ENCLOSURE 1.F

**SAN DIEGO GAS & ELECTRIC COMPANY
CERTIFICATE OF FINANCIAL ASSURANCE FOR
DECOMMISSIONING SAN ONOFRE UNIT 3**


SAN DIEGO GAS & ELECTRIC COMPANY
CERTIFICATE OF FINANCIAL ASSURANCE FOR
DECOMMISSIONING SAN ONOFRE UNIT 3
10 C.F.R. Section 50.75 (b)

San Diego Gas & Electric Company (SDG&E) hereby certifies that financial assurance for decommissioning SDG&E's 20.00% interest in Unit 3 of the San Onofre Nuclear Generating Station will be provided in an amount which may be more but not less than 20.00% of the amount stated in 10 C.F.R. Sec. 50.75(c)(1)(i), adjusted annually using a rate at least equal to that stated in 10 C.F.R. Sec. 50.75(c)(2). Such amounts will be accumulated in accordance with 10 C.F.R. Sec. 50.75(e), through the mechanism of an external sinking fund in which deposits are made at least annually, unless any such annual deposits have been prepaid.

SDG&E entered into Decommissioning Trust Agreements dated December 2, 1987 with Harris Trust and Savings Bank, as Trustee, and the California Public Utilities Commission. [See Enclosure 2.B.i.a and Enclosure 2.B.i.b]. Pursuant to the Trust Agreement, SDG&E has also entered into an Investment Management Agreement, dated December 21, 1987 with Delaware Investment Advisers. [See Enclosure 2.B.ii.].

San Onofre Unit 3 is a Pressurized Water Reactor licensed to operate at a maximum reactor power of 3390 megawatts-thermal (Mwt). Therefore, San Onofre Unit 3 is subject to the 10 C.F.R. Sec. 50.75(c)(1)(i) minimum funding requirements for a pressurized water reactor producing less than 3400 Mwt. Accordingly, the minimum value required in January 1986 dollars is equal to {75 million + [(0.0088) x 3390] million} or \$104.8 million. SDG&E's 20% share is \$21.0 million. As required, this amount is adjusted annually at a rate which is at least equal to the rate determined by the formula stated in 10 C.F.R. Sec. 50.75(c)(2) when the latest information available is used.

SDG&E further certifies that deposits will continue to be made into the trust fund in an amount or amounts which are necessary to maintain a calendar year funding level at or above 20.00% of the multiplicative product of (A) and (B); where: (A) is the latest adjusted/escalated value for the required NRC minimum amount; and (B) is the fractional result obtained by dividing (C) by (D); where (C) is the number of years, and any portion thereof, between November 15, 1982 (issuance date of the License) and the end of the calendar year for which the amount is being calculated, and (D) is the number of years, and any portion thereof, between November 15, 1982 and October 18, 2013 (expiration date of the License).

Signed: 
Name: Malyn K. Malquist
Title: Treasurer
Address: 101 Ash Street
City: San Diego
Telephone No.: (619) 696-4531

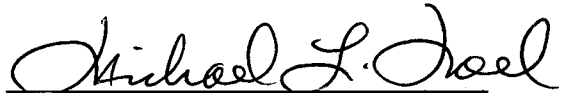
ENCLOSURE 2.A

**SOUTHERN CALIFORNIA EDISON COMPANY
OATH OF AFFIRMATION**

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

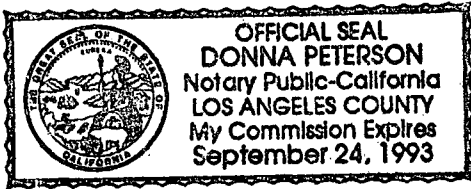
I, MICHAEL L. NOEL, represent that I am Vice President and Treasurer, that the foregoing certification regarding decommissioning funds for San Onofre Unit 1 has been signed by me on behalf of the Southern California Edison Company with full authority to do so, that I have read such certification and know its contents, and that to the best of my knowledge and belief, the statements made therein are true and correct.


MICHAEL L. NOEL

Sworn To Before Me This 13th Day of July, 1990.


Notary Public

My Commission Expires
09-24-93



ENCLOSURE 2.B

**SOUTHERN CALIFORNIA EDISON COMPANY
OATH OF AFFIRMATION**

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

I, MICHAEL L. NOEL, represent that I am Vice President and Treasurer, that the foregoing certification regarding decommissioning funds for San Onofre Unit 2 has been signed by me on behalf of the Southern California Edison Company with full authority to do so, that I have read such certification and know its contents, and that to the best of my knowledge and belief, the statements made therein are true and correct.

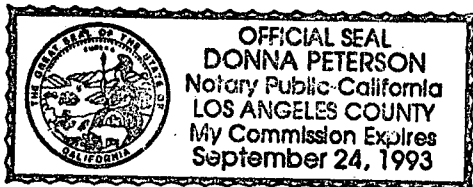

MICHAEL L. NOEL

Sworn To Before Me This 13th Day of July, 1990.


Notary Public

My Commission Expires

09-24-93



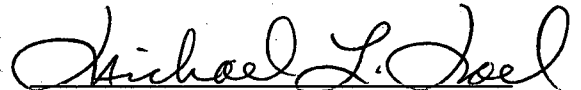
ENCLOSURE 2.C

**SOUTHERN CALIFORNIA EDISON COMPANY
OATH OF AFFIRMATION**

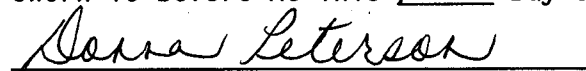
STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

I, MICHAEL L. NOEL, represent that I am Vice President and Treasurer, that the foregoing certification regarding decommissioning funds for San Onofre Unit 3 has been signed by me on behalf of the Southern California Edison Company with full authority to do so, that I have read such certification and know its contents, and that to the best of my knowledge and belief, the statements made therein are true and correct.

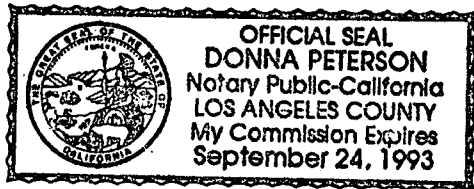

MICHAEL L. NOEL

Sworn To Before Me This 13th Day of July, 1990.


Notary Public

My Commission Expires

09-24-93



ENCLOSURE 2.D

**SAN DIEGO GAS & ELECTRIC COMPANY
OATH OF AFFIRMATION**

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Malyn K. Malquist, represent that I am Treasurer, that the foregoing certification regarding decommissioning funds for San Onofre Unit 1 has been signed by me on behalf of San Diego Gas & Electric Company with full authority to do so, that I have read such certification and know its contents, and that to the best of my knowledge and belief, the statements made therein are true and correct.

Malyn K. Malquist

Sworn To Before Me This 16 Day of July, 1990.

Stephanie E. Hitt
Notary Public

My Commission Expires
August 30, 1991



ENCLOSURE 2.E

**SAN DIEGO GAS & ELECTRIC COMPANY
OATH OF AFFIRMATION**

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Malyn K. Malquist, represent that I am Treasurer, that the foregoing certification regarding decommissioning funds for San Onofre Unit 2 has been signed by me on behalf of San Diego Gas & Electric Company with full authority to do so, that I have read such certification and know its contents, and that to the best of my knowledge and belief, the statements made therein are true and correct.

Malyn K. Malquist

Sworn To Before Me This 16 Day of July, 1990.

Stephanie E. Hitt
Notary Public

My Commission Expires
August 30, 1991



ENCLOSURE 2.F

**SAN DIEGO GAS & ELECTRIC COMPANY
OATH OF AFFIRMATION**

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

I, Malyn K. Malquist, represent that I am Treasurer, that the foregoing certification regarding decommissioning funds for San Onofre Unit 3 has been signed by me on behalf of San Diego Gas & Electric Company with full authority to do so, that I have read such certification and know its contents, and that to the best of my knowledge and belief, the statements made therein are true and correct.

Malyn K. Malquist

Sworn To Before Me This 16 Day of July, 1990.

Stephanie E. Hitt
Notary Public

My Commission Expires
August 30, 1991



ENCLOSURE 3.A
(Applicable to SONGS 1, 2, and 3)

SOUTHERN CALIFORNIA EDISON COMPANY -
NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING MASTER
TRUST AGREEMENT FOR SAN ONOFRE
NUCLEAR GENERATING STATION

SOUTHERN CALIFORNIA EDISON COMPANY

NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING MASTER TRUST AGREEMENT

FOR SAN ONOFRE AND PALO VERDE

NUCLEAR GENERATING STATIONS

SOUTHERN CALIFORNIA EDISON COMPANY

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NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING MASTER TRUST AGREEMENT

AGREEMENT made this 25 day of November, 1987, by and between Southern California Edison Company, a California corporation ("Company"), and Harris Trust and Savings Bank, an Illinois banking corporation having trust powers ("Trustee").

WHEREAS, the Company is the owner of: (1) an 80 percent undivided interest in Unit One of the San Onofre Nuclear Generating Station ("SONGS Unit No. 1"); (2) a 75.05 percent undivided interest in Unit Two of the San Onofre Nuclear Generating Station ("SONGS Unit No. 2"); (3) a 75.05 percent undivided interest in Unit Three of the San Onofre Nuclear Generating Station ("SONGS Unit No. 3"); (4) a 15.80 percent undivided interest in Unit One of the Palo Verde Nuclear Generating Station ("Palo Verde Unit No. 1"); (5) a 15.80 percent undivided interest in Unit Two of the Palo Verde Nuclear Generating Station ("Palo Verde Unit No. 2"); and (6) a 15.80 percent undivided interest in Unit Three of the Palo Verde Nuclear Generating Station ("Palo Verde Unit No. 3"); and

WHEREAS, the Company is subject to regulation by the California Public Utilities Commission ("CPUC"), an agency of the State of California created and existing pursuant to California Constitution Article XII, §1, and by the Nuclear Regulatory Commission ("NRC"), an agency of the United States government created and existing pursuant to 42 U.S.C. §5841; and

WHEREAS, pursuant to Section 468A of the Internal Revenue Code of 1986, 26 U.S.C. §1 et seq., certain Federal income tax benefits are available to the Company by creating and funding qualified decommissioning funds

associated with the San Onofre Nuclear Generating Station ("SONGS") and the Palo Verde Nuclear Generating Station ("Palo Verde"); and

WHEREAS, the CPUC has permitted the Company to include in its cost of service for ratemaking purposes certain amounts to be contributed by the Company to qualified decommissioning funds in order to provide adequate monies for the Company's share of decommissioning costs with respect to SONGS and Palo Verde:

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Company hereby agrees to deliver to the Trustee and the Trustee hereby agrees to receive the initial contribution of monies to the Master Trust on or before March 1, 1987⁸; and

TO HAVE AND TO HOLD, such monies and such additional monies as may from time to time be added thereto as provided herein, together with the proceeds and reinvestments thereof (hereinafter collectively called the "Master Trust") unto the Trustee;

IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms and conditions hereinafter set forth:

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DEFINITIONS, PURPOSE, AND NAME

1.01 Definitions. As used in this Decommissioning Master Trust Agreement, the following terms shall have the following meanings:

- (1) "Act" shall mean the Uniform Principal and Income Act from time to time in effect in the State of California, and on the date hereof set forth in California Probate Code §16300 et seq.
- (2) "Agreement" shall mean and include this Decommissioning Master Trust Agreement as the same may from time to time be amended, modified, or supplemented.
- (3) "Authorized Representative" shall mean, with respect to the Company, the Chief Executive Officer, President, or any Vice President of the Company; and with respect to the Committee, the members of the Committee, or any other person designated as an Authorized Representative of the Committee by a Certificate filed with the Trustee.
- (4) "Board of Directors" shall mean the Board of Directors of the Company, as duly elected from time to time.
- (5) "Certificate" or "Certification" shall mean a written Certificate signed by two Authorized Representatives of the Company for a Certificate of the Company, or two Authorized Representatives of the Committee for a Certificate of the Committee.

- (6) "Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.
- (7) "Committee" shall mean the Nuclear Facilities Decommissioning Master Trust Committee established pursuant to Article III.
- (8) "CPUC" shall mean the California Public Utilities Commission, as defined and set forth in Section I of Article XII of the California Constitution, or its successor.
- (9) "CPUC Order" shall mean an order or resolution issued by the CPUC after the Company, the Committee, the CPUC Staff, the Trustee, and other interested parties have been given notice and an opportunity to be heard. The order may be issued with or without hearing or by the CPUC Advice Letter procedure or comparable procedure.
- (10) "Decommissioning Contributions" shall mean all amounts for decommissioning expenses of the Plants reflected in the Company's adopted annualized cost of service in and for the CPUC jurisdiction and contributed to the Funds for decommissioning expenses of the Plants.
- (11) "Decommissioning Costs" shall mean the costs incurred in decommissioning the Plants, to the extent that such costs may be paid out of the Funds pursuant to Section 468A of the Code, and any regulations or rulings of the Service issued thereunder.
- (12) "Disbursement Certificate" shall mean a document properly completed

and executed by two Authorized Representatives of the Company and substantially in the form of Exhibit A hereto.

- (13) "Excess Contribution" shall have the meaning set forth in Section 2.03 hereof.
- (14) "Funds" shall mean the SONGS Unit No. 1 Qualified Fund, the SONGS Unit No. 2 Qualified Fund, the SONGS Unit No. 3 Qualified Fund, the Palo Verde Unit No. 1 Qualified Fund, the Palo Verde Unit No. 2 Qualified Fund, and the Palo Verde Unit No. 3 Qualified Fund, collectively.
- (15) "Fund Account" shall mean a separate account established by this Agreement and maintained by the Trustee for each Fund to account for all Decommissioning Contributions (or other contributions as described in Section 2.02) made to each Fund, all income and other increments to each Fund and all disbursements from each Fund.
- (16) "Final Disbursements" shall have the meaning set forth in Section 2.01(6) hereof.
- (17) "Interim Disbursements" shall have the meaning set forth in Section 2.01(5) hereof.
- (18) "Investment Manager(s)" shall mean the fiduciary specified in the Investment Manager Agreement(s):
- (a) Which has been retained by the Committee to manage, acquire,

or dispose of any asset belonging to the Master Trust; and

(b) Which is:

(i) registered as an investment adviser under the Investment Advisers Act of 1940, or

(ii) a bank, as defined in that Act, or

(iii) An insurance company qualified to perform services described in subsection (a) above, under the laws of more than one state, and

(c) Which has acknowledged, in writing, that it is a fiduciary with respect to the Master Trust, that it is qualified to act under subsection (b) above, and has agreed to be bound by all of the terms, provisions, and covenants of this Agreement.

(19) "Investment Manager Agreement(s)" shall mean the agreement(s) between the Committee and an investment manager(s) selected by the Committee which agreement governs the management of the assets of the Master Trust and is confirmed by the CPUC.

(20) "Master Trust" shall consist of all contributions to any Fund together with investments and reinvestments thereof and any income earnings and appreciation thereon.

(21) "Plants" shall mean the San Onofre Nuclear Generating Station Unit

Nos. 1, 2 and 3 and the Palo Verde Nuclear Generating Station Unit Nos. 1, 2, and 3, collectively.

- (22) "Palo Verde Unit No. 1" shall mean Unit One of the Palo Verde Nuclear Generating Station.
- (23) "Palo Verde Unit No. 1 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning Palo Verde Unit No. 1 to which monies are contributed subject to the conditions and limitations of Section 468A of the Code.
- (24) "Palo Verde Unit No. 2" shall mean Unit Two of the Palo Verde Nuclear Generating Station.
- (25) "Palo Verde Unit No. 2 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning Palo Verde Unit No. 2 to which monies are contributed subject to the conditions and limitations of Section 468A of the Code.
- (26) "Palo Verde Unit No. 3" shall mean Unit Three of the Palo Verde Nuclear Generating Station.
- (27) "Palo Verde Unit No. 3 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning Palo Verde Unit No. 3 to which monies are

contributed subject to the conditions and limitations of Section 468A of the Code.

- (28) "Ratepayers" shall mean those customers of the Company receiving electric service in accordance with CPUC approved tariff schedules.
- (29) "Schedule of Ruling Amounts" shall have the meaning set forth in Section 468A(d) of the Code.
- (30) "Service" shall mean the Internal Revenue Service.
- (31) "SONGS Unit No. 1" shall mean Unit One of the San Onofre Nuclear Generating Station.
- (32) "SONGS Unit No. 1 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning SONGS Unit No. 1 to which monies are contributed subject to the conditions and limitations of Section 468A of the Code.
- (33) "SONGS Unit No. 2" shall mean Unit Two of the San Onofre Nuclear Generating Station.
- (34) "SONGS Unit No. 2 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning SONGS Unit No. 2 to which monies are contributed subject to the conditions and limitations of Section 468A of the Code.

(35) "SONGS Unit No. 3" shall mean Unit Three of the San Onofre Nuclear Generating Station.

(36) "SONGS Unit No. 3 Qualified Fund" shall mean the Fund established and maintained for decommissioning SONGS Unit No. 3 to which monies are contributed subject to the conditions and limitations of Section 468A of the Code.

(37) "Trustee" shall have the meaning set forth in the first paragraph of this Agreement.

(38) "Units" shall mean SONGS Unit No. 1, SONGS Unit No. 2, SONGS Unit No. 3, Palo Verde Unit No. 1, Palo Verde Unit No. 2, and Palo Verde Unit No. 3, collectively.

(39) "Withdrawal Certificate" shall mean a document properly completed and executed by two Authorized Representatives of the Company and substantially in the form of Exhibit B hereto.

1.02 Authorization. The Trustee and the Company hereby represent and warrant that each has full legal authority and is duly empowered to enter into this Agreement, and has taken all action necessary to authorize the execution of this Agreement by the officers and persons signing it.

1.03 Master Trust Purpose. The exclusive purposes of this Master Trust are to provide monies for the decommissioning of the Plants; and to constitute qualified nuclear decommissioning funds for the Units within the meaning of Section 468A of the Code, any applicable successor

provision and the regulations thereunder.

1.04 Establishment of Master Trust. By execution of this Agreement, the Company:

(a) establishes the Master Trust which shall consist of such Decommissioning Contributions (or other contributions as described in Section 2.02) as may be delivered to the Trustee by the Company for the Funds. The Master Trust also shall include additional Decommissioning Contributions (or other contributions as described in Section 2.02), investments and reinvestments thereof, and earnings and appreciation thereon;

(b) establishes the Funds, each of which shall constitute a trust consisting of such Decommissioning Contributions (or other contributions as described in Section 2.02) as may be delivered to the Trustee by the Company designated for such Fund. Each Fund shall also include additional Decommissioning Contributions (or other contributions as described in Section 2.02) designated for such Fund, together with investments and reinvestments thereon; and

(c) appoints Harris Trust and Savings Bank as Trustee of the Master Trust and each of the Funds.

1.05 Name of Master Trust. The monies received by the Trustee from the Company (together with any additional monies contributed by the Company and the proceeds and reinvestments thereof) shall constitute the "Southern California Edison Company Nuclear Facilities Qualified CPUC

II

DISPOSITIVE PROVISIONS

After payment of the expenses described in Section 6.01 hereof, the Trustee shall distribute the Master Trust as follows:

- 2.01 Payment of Nuclear Decommissioning Costs. The Trustee shall make payments of the Decommissioning Costs in accordance with the following procedures:
- (1) Authorized Representative. The Committee shall promptly notify the Trustee of the selection and appointment of any Authorized Representative of the Committee. The Trustee shall have no duty to inquire into or investigate the continued authority of such person to act as the Authorized Representative. The Committee shall provide the Trustee with written notice of the termination of any Authorized Representative's authority.
 - (2) Disbursements to Third Parties. Requests for payments of Decommissioning Costs to any person (other than the Company) for goods provided or labor or other services rendered to the Company in connection with the decommissioning of the Plants shall be submitted to the Trustee on a Disbursement Certificate.
 - (3) Reimbursement to the Company. Requests for payments to the Company in reimbursement of Decommissioning Costs actually incurred by the Company and paid by the Company to any other person shall be submitted to the Trustee on a Withdrawal Certificate.

(4) Payment of Decommissioning Costs. The Trustee shall pay Decommissioning Costs when a Disbursement Certificate or Withdrawal Certificate is filed with the Trustee, showing with respect to each withdrawal of money:

(a) the name and address of the person or entity to whom payment is due (which may be the Company);

(b) the amount of money to be paid;

(c) the purpose for which the obligation to be paid was incurred;
and

(d) a CPUC Order authorizing either Interim Disbursements or Final Disbursements. A copy of such order shall accompany the Disbursement Certificate or Withdrawal Certificate.

Each Disbursement Certificate or Withdrawal Certificate must certify that the expenses to be paid constitute Decommissioning Costs and shall provide satisfactory evidence to the Trustee of same.

(5) Interim Disbursements. The estimated costs and schedule for decommissioning each of the Plants shall be reviewed periodically and updated when the revenue requirement for decommissioning is reviewed by the CPUC in the Company's general rate cases. Two years prior to the time decommissioning of a Plant or Plants is

estimated to begin, the Company shall apply for CPUC approval of the estimated cost and schedule for decommissioning each Plant or Plants. Upon approval of the cost and schedule for decommissioning each Plant or Plants, the CPUC shall authorize Interim Disbursements from the applicable Fund to pay Decommissioning Costs. Upon the occurrence of changed circumstances the Company may apply to the CPUC for approval of amendments to the cost and schedule for decommissioning each Plant. Interim Disbursements shall be limited to 90% of the forecast of Decommissioning Costs approved by the CPUC. Final payment from the applicable Fund for all Decommissioning costs shall be made pursuant to Section 2.01(6).

(6) Final Disbursements. The Company shall apply for and acquire CPUC approval of the estimated final cost for decommissioning each Plant or Plants. Such application shall be made one year in advance of the time the Company estimates use of funds exceeding 90% of the forecast of Decommissioning Costs approved by the CPUC will be required. Upon approval of the final cost of decommissioning each Plant or Plants, the CPUC shall authorize Final Disbursements from the applicable Fund to pay Decommissioning Costs. The Trustee shall make a Final Disbursement when a CPUC Order and a Disbursement Certificate or Withdrawal Certificate is filed with the Trustee to show:

(a) the name and address of the person or entity to whom payment is due, including reimbursement to the Company;

(b) the amount of money to be paid; and

(c) the purpose for which the obligation to be paid was incurred.

- 2.02 Additions to Master Trust. From time to time after the initial contribution to the Master Trust and prior to the termination of this Trust, the Company may make, and the Trustee shall accept, additional contributions of money to the Master Trust to satisfy the purpose of this Master Trust as set forth in Section 1.03, which contributions may be made to the applicable Fund Account(s).
- 2.03 Adjustments for Excess Contributions. The Trustee and the Company understand and agree that the contributions made by the Company to any of the Funds from time to time may exceed the amount permitted to be paid into such fund(s) pursuant to Section 468A of the Code and any regulations thereunder based upon changes in estimates, subsequent developments, or any other event or occurrence which could not reasonably have been foreseen by the Company at the time such contribution was made (Excess Contribution). Upon Certification of the Company, setting forth the amount of the Excess Contribution, the amount of any Excess Contribution (together with any income accrued thereon) shall be paid to the person or persons specified by the Company in a Certification to the Trustee.
- 2.04 No Transfers Between Fund Accounts. The Trustee and the Company further understand and agree that it is of the essence that no transfer of monies is to occur between Fund Accounts except when explicitly indicated by Certificate of the Company that such transfer is necessary

to effectuate the purposes of this Master Trust and is not contrary to the requirements of Section 468A of the Code.

2.05 Designation of Funds. Upon: (a) the initial contribution to the Master Trust; (b) any withdrawal from the Master Trust for Decommissioning Costs pursuant to Section 2.01 or for administrative expenses pursuant to Section 6.01; (c) any addition to the Master Trust pursuant to Section 2.02; or (d) any adjustment to the Funds pursuant to Section 2.03, the Company shall designate, by Certificate, the appropriate Fund Account(s) which are to be credited or debited by such contribution, withdrawal, addition, or adjustment, and the Trustee shall credit or debit the appropriate Fund Account(s) in accordance with such designation.

2.06 Distribution of Income.

- (1) Generally. The Trustee shall not be precluded from pooling Decommissioning Contributions (or other contributions as described in Section 2.02) with respect to each of the Fund Accounts for investment purposes, and may treat each Fund Account's Decommissioning Contributions (or other contributions as described in Section 2.02) as having received or accrued a ratable portion of the Master Trust income in any year.
- (2) Principal and Income. All questions relating to the ascertainment of income and principal and the allocation of receipts and disbursements between income and principal shall be resolved by the Trustee in accordance with the terms of the Act.

(3) Income on Current Collections. As of the end of each accounting period of the Trust, the income of the Master Trust shall, for purposes of all subsequent accounting periods, be treated as Master Trust principal.

2.07 No Transferability of Interest in Trust. The interest of the Company in the Master Trust is not transferable by the Company, whether voluntarily or involuntarily, nor subject to the claims of creditors of the Company, provided, however, that any creditor of the Company as to which a Disbursement Certificate has been properly completed and submitted to the Trustee may assert a claim directly against the Master Trust in an amount not to exceed the amount specified on such Disbursement Certificate. Nothing herein shall be construed to prohibit a transfer of the Company's interest in the Master Trust upon sale of all or part of the Company's ownership interest in any Plant or Plants; provided, however, that any such transfer shall be subject to the prior approval of the CPUC.

2.08 Resolution of Disagreements. If any disagreement arises between the Company, the Committee, and/or the CPUC Staff regarding the Master Trust, the disagreement shall be submitted to the CPUC for resolution by issuance of a CPUC Order after notice and an opportunity to be heard, as provided in the California Public Utilities Code, has been given to the Company, the Committee, the CPUC Staff, the Trustee, and any interested parties. The CPUC, on its own motion, may raise and consider any issue with regard to the Master Trust, and any such issue raised on the CPUC's own motion shall be resolved as provided above. Pending resolution of the disagreement, the Trustee shall act in

accordance with the Committee's direction. Nothing in this Agreement shall be construed to limit the rights of the Company, the Committee, the CPUC Staff, the Trustee or any other interested party under the California Public Utilities Code or the California Constitution or other applicable laws or regulations.

2.09 Termination of Master Trust. This Master Trust shall be irrevocable and will terminate (in whole or in part) upon the earlier of:

- (1) Receipt by the Trustee of a Certificate from the Committee stating that substantial completion of the nuclear decommissioning of the Plants has occurred (as defined in Treasury Regulations promulgated under Code Section 468A);
- (2) The twentieth anniversary of the date of the death of the survivor from among a class consisting of all of the descendants of John D. Rockefeller, late of New York, New York, born on or prior to January 1, 1987; or
- (3) At such earlier time as the CPUC may order the Committee to terminate all or a portion of this Master Trust.

2.10 Termination of Funds of Master Trust. One or more of the Funds shall terminate upon the earlier of:

- (1) Its disqualification from the application of Section 468A of the Code, whether pursuant to an administrative action on the part of the Service or the decision of any court of competent jurisdiction.

but in no event earlier than the date on which all available appeals have been either prosecuted or abandoned and the period of time for making any further appeals has elapsed; or

- (2) The disposition by the Company of any interest in the Plants, to the extent provided in regulations by the Service promulgated under Code Section 468A.

2.11 Distribution of Master Trust Upon Termination. Upon termination of this Master Trust or of any one or more of the Fund(s), the Trustee shall assist the Investment Manager in liquidating the assets of the Master Trust, or Fund(s), and thereupon distributing the then-existing assets of the Master Trust, or Fund(s) (including accrued, accumulated, and undistributed net income) less final Master Trust administrative expenses (including accrued taxes) to the Company; provided, however, that no such distribution shall be made unless the Committee provides a Certificate to the Trustee stating that a CPUC Order has been issued which specifically authorizes such payment to the Company for distribution to the Company's then current Ratepayers, or as otherwise provided in the order. In the event the Funds are no longer needed for Decommissioning Costs and/or Master Trust administration expenses, they shall be returned to Ratepayers in a manner to be prescribed in an Order of the CPUC. In the event the CPUC or a successor no longer exists, the Trustee shall make such distribution to the Company upon receipt of an opinion of legal counsel to the Company accompanying a Certificate of the Company stating that no CPUC Order is necessary to authorize such distribution.

2.12 Alterations and Amendments. The Trustee and the Company understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purposes of this Trust.

The CPUC by Order may direct the Company to amend, in whole or in part, any or all of the provisions of this Agreement; provided that the CPUC shall not cause the Company to amend this Agreement if such action would defeat the purpose of the Master Trust or the Company's right to elect a current income tax deduction under Code Section 468A and the regulations promulgated thereunder. The Committee may also amend this Agreement thirty days after filing a copy of the proposed amendment with the CPUC. No proposed amendment may be made if written objections to the proposed amendment are filed within the thirty-day period. Any party making written objections to a proposed amendment shall serve the written objections with a certificate of service on the Company, the Committee, the Trustee, and the CPUC Staff on the same day the written objections are filed with the CPUC. Any written objections which cannot be settled shall be resolved in accordance with Section 2.08. Proposed amendments filed with the CPUC shall include in the transmittal letter a reference to the foregoing procedure for making written objection to such proposed amendments. Notwithstanding anything herein to the contrary, no amendment which affects the specific rights, duties, responsibilities, or liabilities of the Trustee, shall be made without its consent and no amendment shall be effective prior to the Trustee receiving reasonable notice thereof.

2.13 No Authority to Conduct Business. The purpose of this Master Trust is limited to the matters set forth in Section 1.03 above, specifically,

THE COMMITTEE

3.01 Members. The Committee shall consist of five (5) members. The members shall be nominated by the management of the Company, and their nomination shall be confirmed by the Board of Directors of the Company. No more than two (2) of the members of the Committee shall be employees, officers, or directors of the Company, or otherwise be agents of the Company in any capacity except as members of the Committee. The names of the nominees shall be furnished to the CPUC in writing within ten (10) days of their nomination. The Company shall furnish the CPUC with a resume of their background and qualifications. The three (3) nominees who are not affiliated with the Company shall be confirmed by the CPUC within 60 days of their submittal. For these three nominees, the Company shall furnish to the CPUC a statement in writing affirming that such nominees are not employees, officers, directors, or otherwise agents of the Company and providing sufficient additional information to determine the existence of any conflict or potential conflict of interest. The three (3) nominees who are not affiliated with the Company shall furnish the CPUC with a declaration that the nominee has no financial or other interest that would conflict with the discharge of their responsibilities as Committee members. Ownership of minor amounts of the Company's stock and/or being a customer of the Company, and/or having routine business relationships such as providing normal banking services shall not be regarded as creating such a conflict or an agency relationship.

If at any time and for any reason there are insufficient members of the

Committee not affiliated with the Company to permit the Committee to obtain a quorum, the CPUC, at the request of the Company, may issue an Order allowing the Committee to function for a limited period of time with more than two (2) members who are employees, officers and/or directors of the Company. Should the CPUC issue such an Order, it shall prescribe in that Order the limited period of time during which the Committee may be composed of more than two (2) members who are officers, employees and/or directors of the Company, and it shall prescribe a time by which the Company must submit the names of new nominees for confirmation by the CPUC. The Committee shall not function with more than two (2) members who are officers, employees and/or directors of the Company except upon such Order of the CPUC, and then only within the period of time prescribed in the Order of the CPUC.

3.02 Term. The term of each member shall be five (5) years; however, any member may be removed by the CPUC for reasonable cause at any time. The Company shall notify the Trustee and the Investment Manager(s) of all appointments and replacements of Committee members in writing signed by an Authorized Representative. Initial appointments of Committee members may be for less than a five-year term in order to establish staggered membership terms among the members of the Committee.

3.03 Acts of Committee. Each member of the Committee shall have one vote and the Committee shall act by majority decision. It shall require a minimum of four (4) members of the Committee to constitute a quorum in order for the Committee to act. Votes of members of the Committee shall be recorded on all matters voted on or decided by the Committee. Full minutes of Committee meetings shall be maintained. The Committee

shall be subject to the jurisdiction of the CPUC.

3.04 Duties of Committee. The Committee shall direct and manage the Master Trust and perform all duties attendant thereto, including the appointment of trustees and investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest such assets. The Committee may retain the services of such professional advisors, legal counsel, and administrative support as it deems necessary to carry out its responsibilities hereunder. The reasonable fees and/or compensation of any such assistance the Committee may desire to retain shall be regarded as appropriate Master Trust administration expenses.

3.05 Committee Reports. The Committee shall evaluate the performance of the Trustee and Investment Manager(s) annually and submit a written report to the CPUC. The report shall be confidential and submitted to the CPUC by the Company under the provisions of Section 583 of the Public Utilities Code or applicable successor provision. The report shall include, at a minimum:

- (a) A finding, with supporting analysis, as to whether the current Trustee and Investment Manager(s) should be retained or replaced;
- (b) In the case where more than one investment manager is used, a justification therefor;
- (c) The voting record of the Committee members and the minutes of all Committee meetings; and

- (d) An itemized accounting of the Master Trust administration expenses and the basis therefor.

At least once every three years the Committee shall evaluate potential substitute trustees and investment managers and submit a report thereon to the CPUC. The report shall be confidential and submitted to the CPUC by the Company under the provisions of Section 583 of the Public Utilities Code or applicable successor provision. This report may be combined with the annual report described above, and shall include, at a minimum:

- (a) A description of the Committee's attempts to solicit proposals from other firms which can perform the trust and investment management duties;
- (b) An evaluation of at least three firms which could potentially replace the current Trustee and/or Investment Manager(s); and
- (c) A justification of the continued use of investment manager(s) on a retainer basis, as opposed to the Trustee's employment of an "in house" investment advisor.

The Committee shall not be required to solicit proposals to replace a Trustee(s) or Investment Manager(s) who, in the judgment of the Committee, are performing adequately and have served as a Trustee and/or Investment Manager hereunder for less than three years.

3.06 Compensation. Each Committee member who is not an employee, officer,

director, or otherwise an agent of the Company shall be entitled to reasonable fees and/or compensation for their services hereunder. At the time a nominee's name is furnished to the CPUC, the Company shall furnish to the CPUC a statement in writing setting forth all proposed fee and/or compensation arrangements with such nominee. The fee and/or compensation arrangements shall be subject to the approval of the CPUC. If the fee and/or compensation arrangements with any member should be changed for any reason whatsoever, within ten (10) days of such change, the Company shall furnish to the CPUC a statement in writing fully describing the new fee and/or compensation arrangements, and such changes shall be subject to the approval of the CPUC. Each Committee member shall be reimbursed for all reasonable expenses incurred in connection with the performance of his duties under this Agreement. Fees and/or compensation paid to members of the Committee, reasonable expenses of the members of the Committee, including premiums for liability insurance if applicable, shall be regarded as appropriate Master Trust administration expenses.

3.07 Committee May Limit Trustee Actions. The Trustee shall not take any act or participate in any transaction which would violate the terms and conditions of any instructions provided by a Certificate of the Committee so long as the terms and conditions of the Certificate are consistent with this Agreement.

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IV

TRUSTEES

4.01 Designation and Qualification of Successor Trustee(s). The Company by this Agreement has appointed the corporate fiduciary named herein having all requisite corporate power and authority to act as the sole original Trustee. The Trustee shall act in accordance with the directions provided to it by the Committee under the terms of this Agreement. At any time during the term of this Trust, the Committee shall have the right to remove the Trustee acting hereunder and appoint another qualified corporation as a Successor Trustee upon thirty (30) days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that the Trustee or any Successor Trustee shall: (a) become insolvent or admit in writing its insolvency; (b) be unable or admit in writing its inability to pay its debts as such debts mature; (c) make a general assignment for the benefit of creditors; (d) have an involuntary petition in bankruptcy filed against it; (e) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, statute, or proceeding; or (f) resign, the Trustee or Successor Trustee shall cease to act as a fiduciary of this Master Trust and the Committee shall appoint a Successor Trustee. In the event of any such removal or resignation, the Trustee or Successor Trustee shall have the right to have its accounts settled as provided in Section 4.05 hereof. Any successor to the Committee, as provided herein, shall have the same right to remove and to appoint any Trustee or Successor Trustee.

Any Successor Trustee shall qualify by a duly acknowledged acceptance of this Master Trust, delivered to the Company, the Committee, and the CPUC. Upon acceptance of such appointment by the Successor Trustee, the Trustee shall assign, transfer and pay over to such Successor Trustee the monies and properties then constituting the Master Trust. Any Successor Trustee shall have all the rights, powers, duties and obligations herein granted to the original Trustee.

If for any reason the Committee cannot or does not act in the event of the resignation or removal of the Trustee, as provided above, the Trustee may apply to the CPUC for the appointment of a Successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be an expense of administration payable in accordance with Section 6.01 hereof.

4.02 Resignation. The Trustee or any Successor Trustee hereof may resign and be relieved as Trustee at any time without prior application to or approval by or order of the CPUC or of any court by a duly acknowledged instrument, which shall be delivered to the Company and the Committee by the Trustee not less than sixty (60) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Company and the Committee.

4.03 Compensation. The Trustee shall be entitled to compensation from the Master Trust as follows:

Fee Schedule

Base Fee: \$500 per investment manager

Transaction Charge: \$15 per transaction

Combined Asset Charge (applied to the total of all assets held by the Trustee in the Company's nuclear decommissioning trusts):

20¢ per \$1,000 on the first \$50 million

12¢ per \$1,000 on the next \$150 million

7¢ per \$1,000 on the next \$100 million

5¢ per \$1,000 on the excess

This fee schedule is effective for the first six years from the date assets are initially contributed to the Company's nuclear decommissioning Master Trust. Nothing herein shall preclude renegotiation of the foregoing fee schedule due to significantly changed circumstances, provided, however, that any change in the fee schedule shall require the approval of the CPUC prior to becoming effective.

Whenever the Trustee exercises its investment discretion as provided in Article VII, it shall be entitled to compensation from the Master Trust as follows:

Investment Management

Fee Schedule

Combined Asset Charge (applied to the total market value of the assets placed under the Trustee's investment discretion):

\$1.00 per \$1,000 on the first \$50 million

\$0.80 per \$1,000 on the next \$150 million

\$0.70 per \$1,000 on the excess

This fee schedule shall be effective through 1995 for all assets placed under the Trustee's investment discretion prior to January 1, 1990.

The fee schedule for assets placed under the Trustee's investment discretion on or after January 1, 1990 shall be subject to renegotiation. The renegotiated fee schedule shall require the approval of the CPUC prior to becoming effective.

- 4.04 Establish Fund Accounts. The Trustee shall maintain separate Fund Accounts for each Fund established by this Agreement to account for Decommissioning Contributions (or other contributions as described in Section 2.02) made to each Fund, and all income and other increments to each Fund, and disbursements from each Fund subject to the provisions of Section 2.05 above.
- 4.05 Accounts. The Trustee shall present financial statements to the Company and the Committee on a quarterly basis (within forty-five (45) days following the close of each quarter), or at such other frequency as the Committee shall from time to time require. The

financial statements shall show the financial condition of the Master Trust, including, without limitation, income and expenses of the Master Trust for the period. The Trustee shall assume responsibility for employing independent certified public accountants to audit the financial statements not less frequently than annually, subject to the provisions contained in Section 6.05. The Company and the Committee shall have the right to object to any of the Trustee's audited financial statements. If either the Company or the Committee desires to object to the Trustee's audited financial statements it shall deliver notice of its objection to the Trustee in writing within three years from the day the Trustee shall mail or deliver such audited financial statements to the Company and the Committee. If no written objection is made within that time, the presentation of the audited financial statements to the Company and the Committee shall release and discharge the Trustee with respect to all acts or omissions to the date of said audited financial statements; provided, however, that nothing contained herein shall be deemed to relieve the Trustee of any liability which may be imposed pursuant to Section 4.07 hereof.

4.06 Tax Returns and Other Reports. The Trustee, the Committee, and the Company shall cooperate in the preparation of income or franchise tax returns or other reports as may be required from time to time and, subject to the limitations contained in Section 6.05, may employ independent certified public accountants or other tax counsel to prepare or review such returns and reports. The Trustee shall present to the Company and the Committee on a monthly basis a report setting forth all investments purchased by the Investment Manager(s) during the previous month. The Trustee shall advise the Company and the Committee

if any of the investments, in the Trustee's opinion, may constitute a violation of the restrictions on investment of trust assets outlined in Code Section 501(c)(21), or successor provision, as applicable to the Master Trust.

4.07 Liability. The Trustee shall be liable for the acts, omissions or defaults of its own officers and employees. The Trustee shall not be liable for the acts, omissions or defaults of its agents, provided any such agents were selected with reasonable care and the performance and status of the agent is monitored with reasonable care throughout the duration of the agency relationship. The Trustee shall not be liable for the failure or default of any bank or depository, provided any such bank or depository was selected with reasonable care and its performance and status is monitored with reasonable care. Except where the Trustee exercises its investment discretion as provided in this Agreement, the Trustee shall not be liable for the acts or omissions of any Investment Manager(s) acting hereunder. Except as provided in Section 4.05, the Trustee shall not be liable in regard to the exercise or nonexercise of any powers and discretions properly delegated pursuant to the provisions of this Agreement.

Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for (a) any tax imposed pursuant to Section 4951 of the Code (or any applicable successor provision) as such section is made applicable to the Master Trust or the Trustee, and/or (b) any consequences flowing from violation of the restrictions on the investment of trust assets outlined in Code Section 501(c)(21) (or applicable successor Code sections) where the act giving rise to the

imposition of any tax pursuant to Section 4951 of the Code or the decision to invest trust assets in investments not meeting the restrictions outlined in Code Section 501(c)(21) was made by or was in the power and control of the Trustee as provided in this Agreement.

Pursuant to Section 6.08 of this Agreement, the Trustee is prohibited from doing any act or knowingly engaging in any transaction that would violate the terms and conditions of any instructions provided by written Certificate of the Committee, or contravening any provision of this Agreement. Upon receipt of a Certificate of the Committee giving the Trustee notice of either (a) instructions of the Committee to the Trustee, or (b) acts or transactions the Committee believes constitute a violation by the Trustee of the provisions of this Agreement, the Trustee shall follow the instructions of the Committee, and/or cease and desist from the acts identified in the Certificate as violating the provisions of this Agreement. To the extent the Trustee fails to follow the instructions of the Committee, or continues with any act identified in the Certificate as violating the provisions of this Agreement, from the date of receipt of the Certificate providing the instructions and/or notice of violation of the provisions of this Agreement, the Trustee (and not the Master Trust) shall be liable for all consequences flowing from any failure to follow the Committee's instructions, and/or flowing from any violation by the Trustee of the provisions of this Agreement. Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for all consequences flowing from any violation by the Trustee of the provisions of this Agreement, regardless of whether notice thereof was provided by the Committee.

INVESTMENTS

5.01 Appointment of Investment Manager(s). The Committee may appoint one or more Investment Managers to direct the investment of all or part of the Master Trust. The Committee shall also have the right to remove any such Investment Manager. The appointment of the Investment Manager(s) shall be made in accordance with any procedures specified by the Committee. The Committee shall provide notice of any such appointment by Certification to the Trustee which shall specify the portion of the Master Trust with respect to which the Investment Manager(s) has been designated. The Investment Manager(s) shall certify in writing to the Trustee that it is qualified to act in the capacity provided under the Investment Manager Agreement, shall accept its appointment as such Investment Manager(s), shall certify the identity of the person or persons authorized to give instructions or directions to the Trustee on its behalf, including specimen signatures, and shall undertake to perform the duties imposed on it under the Investment Manager Agreement. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by the Committee or the Investment Manager(s), as the case may be.

5.02 Direction by Investment Manager(s). Notwithstanding Section 7.04, the Investment Manager(s) designated by the Committee to manage any portion of the Master Trust shall have authority to manage, acquire, and dispose of the assets of the Master Trust, or a portion thereof as the case may be. The Investment Manager(s) is authorized to invest in the securities specified in Section 7.02. The Investment Manager(s) shall

have the power and authority, exercisable in its sole discretion at any time, and from time to time, to issue and place orders for the purchase or sale of portfolio securities directly with qualified brokers or dealers. The Trustee, upon proper notification from an Investment Manager, shall execute and deliver in accordance with the appropriate trading authorizations. Written notification of the issuance of each such authorization shall be given promptly to the Trustee by the Investment Manager(s), and the Investment Manager(s) shall cause the execution of such order to be confirmed in writing to the Trustee by the broker or dealer. Such notification shall be proper authority for the Trustee to pay for portfolio securities purchased against receipt thereof and to deliver portfolio securities sold against payment therefor, as the case may be.

The authority of the Investment Manager(s) and the terms and conditions of the appointment and retention of the Investment Manager(s) shall be the responsibility solely of the Committee, and the Trustee shall not be deemed to be a party to or to have any obligations under any agreement with the Investment Manager(s). Any duty of supervision or review of the acts, omissions or overall performance of the Investment Manager(s), shall be the exclusive responsibility of the Committee, and, except as provided in Section 4.06, the Trustee shall have no duty to review any securities or other assets purchased by the Investment Manager(s), or to make suggestions to the Investment Manager(s) or to the Committee with respect to the exercise or nonexercise of any power by the Investment Manager(s).

Unless the Trustee participates knowingly in, or knowingly undertakes to conceal an act or omission of an Investment Manager(s) knowing such act

TRUSTEE'S GENERAL POWERS

The Trustee shall have, with respect to the Master Trust, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of this Master Trust and the beneficiaries thereof, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine and, except as otherwise provided, which are intended in no way to limit the powers of the office, namely:

- 6.01 Payment of Expenses of Administration. To pay all ordinary and necessary expenses and other incidental costs including, but not limited to, Investment Manager(s) fees and Committee member(s) fees, the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by the Committee as provided in Section 3.04, expenses and insurance policy premiums as provided in Section 3.06 incurred in connection with this Master Trust or the Master Trust in the discharge of the Trustee's fiduciary obligations under this Agreement, but only to the extent that such amount may be incurred and paid from the Master Trust without causing the Funds to become disqualified from the application of Section 468A of the Code or any applicable successor provisions.
- 6.02 Extension of Obligations and Negotiation of Claims. To renew or extend the time of payment of any obligation, secured or unsecured, payable to or by this Trust, for as long a period or periods of time and on such terms as the Trustee shall determine, and to adjust, settle, compromise,

and arbitrate claims or demands in favor of or against this Trust, including claims for taxes, upon such terms as the Trustee may deem advisable, subject to the limitations contained in Section 7.03 (regarding self-dealing), and the procedures contained in Section 2.01.

- 6.03 Registration of Securities. To hold any stocks, bonds, securities, and/or other property in the name of a nominee, in a street name, or by other title-holding device, without indication of trust.
- 6.04 Location of Assets. To keep any property belonging to the Master Trust at any place in the United States.
- 6.05 Retention of Professional Services. To execute any of the powers hereof and perform the duties required of it hereunder by or through its employees, agents, attorneys, or receivers.
- 6.06 Delegation of Ministerial Powers. To delegate to other persons such ministerial powers and duties as the Trustee may deem to be advisable.
- 6.07 Powers of Trustee to Continue Until Final Distribution. To exercise any of such powers after the date on which the principal and income of the Master Trust shall have become distributable and until such time as the entire principal of, and income from, the Master Trust shall have been actually distributed by the Trustee. It is intended that distribution of the Master Trust will occur as soon as possible upon termination of the Trust, subject, however, to the limitations contained in Sections 2.09, 2.10, and 2.11 hereof.

6.08 Discretion in Exercise of Powers. To do any and all other acts which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Master Trust Agreement, provided, however, that the Trustee may not do any act or knowingly engage in any transaction which would:

- (1) Disqualify the Funds from the application of Section 468A (or any applicable successor provision) of the Code;
- (2) Contravene any provision of this Agreement; or
- (3) Violate the terms and conditions of any instructions provided by written Certificate by the Committee.

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VII

TRUSTEE'S INVESTMENT POWERS

The Trustee recognizes the authority of the Investment Manager(s) to manage, invest, and reinvest the assets of the Master Trust pursuant to the Investment Manager Agreement and as provided in Section 5.02 of this Agreement, and the Trustee agrees to cooperate with the Investment Manager(s) as deemed necessary to accomplish these tasks. Notwithstanding the foregoing, the Trustee shall without the written authorization of the Committee invest cash balances in an investment account on a daily basis to the extent reasonable. Upon the written authorization of the Committee from time to time, the Trustee shall have the following investment powers, all of which are fiduciary powers to be executed in a fiduciary capacity and in the best interest of this Master Trust and the beneficiaries thereof, and which are to be exercised by the Trustee in its discretion, acting in such fiduciary capacity:

7.01 Preservation of Principal. The Trustee in its exercise of investment discretion as authorized by the Committee shall hold, manage, and invest the assets of this Master Trust in a manner designed to maximize and preserve the income and principal of this Master Trust for the purposes of this Trust, except as provided in Sections 7.02 and 7.03;

7.02 Investment of Funds. To invest and reinvest all or part of the Funds, including any undistributed income therefrom; provided, however, that no such investment or reinvestment of the Funds may be made by the Trustee:

(1) Unless such investment is permitted to be made by Code

Sections 501(c)(21)(B)(ii) and 468A(e)(4)(C), the regulations thereunder, and any applicable successor provisions; or

(2) which would contravene any instructions issued by the Committee.

In all cases, however, the total investments by the Trustee must be sufficiently liquid to enable the Master Trust to fulfill the purposes of the Master Trust and to satisfy obligations as such obligations become due. Nothing in this Section 7.02 shall be construed as authorizing the Trustee to carry on any business or to divide the gains therefrom.

7.03 Management of Master Trust. To sell, exchange, partition, or otherwise dispose of all or any part of the Master Trust at public or private sale, without prior application to, or approval by, or order of any court, upon such terms and in such manner and at such prices as the Trustee shall determine; to modify, renew or extend bonds, notes or other obligations or any installment of principal thereof or any interest due thereon and to waive any defaults in the performance of the terms and conditions thereof; and to execute and deliver any and all bills of sale, assignments, bonds or other instruments in connection with these powers, all at such times, in such manner and upon such terms and conditions as the Trustee may deem expedient to accomplish the purposes of this Master Trust as set forth in Section 1.03.

Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not authorize or carry out (a) any sale, exchange or

other transaction which would constitute an act of "self-dealing" within the meaning of Section 4951 of the Code, as such section is made applicable to the Funds by Section 468A(e)(5) of the Code, any regulations thereunder, and any applicable successor provision, or (b) any investment which would violate the restrictions on investment of trust assets outlined in Code Section 501(c)(21) and any applicable successor provision.

7.04 Disposition of Investments. When required to make any payments under Sections 2.01 or 6.01 hereof, the Trustee shall sell investments at the best price reasonably obtainable, or present investments for prepayment, but only upon written direction from the Committee. The Trustee shall have no liability, except for its own negligence or willful misconduct, with respect to any sale or prepayment of an investment directed by the Committee or an Investment Manager or made by an Investment Manager through a broker-dealer.

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VIII

MISCELLANEOUS

- 8.01 Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.
- 8.02 Particular Words. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine, or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, trust, company, or corporation.
- 8.03 Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Company, the Committee, the Trustee and the CPUC any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation contained herein. The Company shall be entitled to receive payments for Decommissioning Costs and administrative expenses of the Master Trust which the Company may incur in carrying out the purpose set forth in Section 1.03 of this Agreement. It is intended by all parties hereto that the Company's Ratepayers, who shall be represented solely by the CPUC, be the ultimate beneficiary of this Agreement in that the decommissioning activities contemplated by this Agreement, which are to be performed by the Company, will inure to the benefit of the Company's

Ratepayers and the General Public.

- 8.04 Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other than those as to which it is invalid or unenforceable and the other provisions of this Agreement, shall not be affected by such invalidity or unenforceability.
- 8.05 Form and Content of Communications. The names of any person authorized to act on behalf of the Company and/or the Committee shall be certified, with the specimen signature of such person, to the Trustee by the Company and the Committee. Until appropriate written evidence to the contrary is received by the Trustee, it shall be fully protected in relying upon or acting in accordance with any written notice, instruction, direction, certificate, resolution, or other communication believed by it to be genuine and to be signed and/or certified by any proper person, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement contained therein. Until notified in writing to the contrary, the Trustee shall have the right to assume that there has been no change in the identity or authority of any person previously certified to it hereunder.
- 8.06 Delivery of Notices Under Agreement. Any notice required by this Agreement to be given to the Company or the Trustee shall be deemed to have been properly given when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to the Company:

SOUTHERN CALIFORNIA EDISON COMPANY
P.O. Box 800
2244 Walnut Grove Avenue
Rosemead, California 91770

Attention: Nuclear Facilities Decommissioning
Trust Committee

If to the Trustee:

Harris Trust and Savings Bank
111 West Monroe Street
P.O. Box 755
Chicago, Illinois 60690

Attention: Southern California Edison Company
Nuclear Facilities Decommissioning
Master Trust(s)

If to the CPUC:

California Public Utilities Commission
505 Van Ness Avenue, Room 5025
San Francisco, California 94102

Attention: Executive Director

If to the CPUC Staff:

California Public Utilities Commission
505 Van Ness Avenue, Room _____
San Francisco, California 94102

Attention: Director of the Commission
Advisory and Compliance Division
(or its successor division)

The Company or the Trustee may change that address by delivering notice thereof in writing to the other party.

8.07 Successors and Assigns. Subject to the provisions of Sections 2.07 and 4.01, this Agreement shall be binding upon and inure to the benefit of

the Company, the Trustee and their respective successors, assigns, personal representatives, executors and heirs.

- 8.08 Governing Jurisdiction. This Master Trust is a California trust and all questions pertaining to its validity, construction, and administration shall be determined in accordance with the laws of the State of California as if executed in and to be wholly performed within the State of California.
- 8.09 Accounting Year. The Master Trust shall operate on an accounting year which coincides with the calendar year, January 1 through December 31.
- 8.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.
- 8.11 Disbursement/Withdrawal Certificate. No provision of this Agreement shall be construed or applied so as to require the preparation of a Disbursement Certificate or a Withdrawal Certificate to authorize the payment of compensation to the Trustee under Section 4.03 or of the expenses of administration under Section 6.01.

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8.12 Approval. This agreement shall be effective when approved by the CPUC and signed by all parties.

IN WITNESS WHEREOF, the Company and the Trustee have set their hands and seals to this Agreement as of the day and year first above written.

CALIFORNIA PUBLIC UTILITIES COMMISSION

By [Signature]
Title: _____

Attest: [Signature]
Title: _____

APPROVED AS TO FORM.
JOHN R. BURY
Vice President and General Counsel
By [Signature]
Attorney
Nov. 29, 1987

SOUTHERN CALIFORNIA EDISON COMPANY

By [Signature]
Title: EXEC. V.P.

Attest: [Signature]
Title: SECY.

HARRIS TRUST AND SAVINGS BANK

By [Signature]
Title: Vice President

Attest: [Signature]
Title: Trust Officer

DISBURSEMENT CERTIFICATE

The undersigned, being Authorized Representatives of Southern California Edison Company ("Company"), a California corporation, and, in such capacity, being authorized and empowered to execute and deliver this certificate, hereby certifies to the Trustee of the Southern California Edison Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust for San Onofre and Palo Verde Nuclear Generating Stations, pursuant to Section 2.01 of that certain Master Trust Agreement, dated _____, 1987, between the Trustee and Company as follows:

- (1) there is due and owing to each payee ("Payees") [all]-or-[a portion of] the invoiced cost to the Company for goods or services provided in connection with the decommissioning of [SONGS/Palo Verde] as evidenced by the Invoice Schedule (with supporting exhibits) attached as Exhibit 1 hereto;
- (2) all such amounts due and owing to the Payees constitute Decommissioning Costs; and
- (3) all conditions precedent to the making of this withdrawal and disbursement set forth in any agreement between such Payee and the Company have been fulfilled.

Accordingly, you are hereby authorized to withdraw \$ _____ from the [SONGS Unit No. 1/SONGS Unit No. 2/SONGS Unit No. 3/ Palo Verde Unit No. 1/Palo Verde Unit No. 2/Palo Verde Unit No. 3] Qualified Fund of the Master Trust in order to permit payment of such sum to be made to Payees for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to such Payees in the following manner: [DESCRIBE: JOINT PAYEE CHECK, WIRE TRANSFER, ETC.] on or before _____, 19__.

Executed this ____ day of _____, 19__.

By _____
Authorized Representative

By _____
Authorized Representative

WITHDRAWAL CERTIFICATE

The undersigned, Authorized Representatives of Southern California Edison Company ("Company"), a California corporation, and _____, a _____ corporation and, in such capacity, being duly authorized and empowered to execute and deliver this certificate, hereby certify to the Trustee of the Southern California Edison Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust for San Onofre and Palo Verde Nuclear Generating Stations, pursuant to Section 2.01 of that certain Master Trust Agreement, dated _____, 1987, as follows:

- (1) there is due and owing to the Company [all] or [a portion of] the invoiced cost to the Company for goods or services provided in connection with the decommissioning of [SONGS/Palo Verde] as evidenced by the Invoice Schedule with supporting exhibits attached as Exhibit 1 hereto;
- (2) all such amounts have been paid by the Company and constitute Decommissioning Costs; and
- (3) all conditions precedent to the making of this withdrawal and disbursement and the payment by the Company of the Decommissioning Costs set forth in any agreement between such payee of the Company and the Company have been fulfilled.

Accordingly, you are hereby authorized to withdraw \$_____ from the [SONGS Unit No. 1/SONGS Unit No. 2/SONGS Unit No. 3/ Palo Verde Unit No. 1/Palo Verde Unit No. 2/Palo Verde Unit No. 3] Qualified Fund of the Master Trust in order to permit payment of such sum to be made to the Company for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to the Company in the following manner: [DESCRIBE: CHECK, WIRE TRANSFER, ETC.] on or before _____, 19__.

Executed this ____ day of _____, 19__.

SOUTHERN CALIFORNIA EDISON COMPANY

By _____
Authorized Representative

By _____
Authorized Representative

ENCLOSURE 3.B
(Applicable to SONGS 1, 2, and 3)

SOUTHERN CALIFORNIA EDISON COMPANY -
NUCLEAR FACILITIES NON-QUALIFIED CPUC DECOMMISSIONING MASTER
TRUST AGREEMENT FOR SAN ONOFRE
NUCLEAR GENERATING STATION

SOUTHERN CALIFORNIA EDISON COMPANY

NUCLEAR FACILITIES NONQUALIFIED CPUC DECOMMISSIONING MASTER TRUST AGREEMENT

FOR SAN ONOFRE AND PALO VERDE

NUCLEAR GENERATING STATIONS

SOUTHERN CALIFORNIA EDISON COMPANY

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NUCLEAR FACILITIES NONQUALIFIED CPUC DECOMMISSIONING MASTER TRUST AGREEMENT

AGREEMENT made this 25 day of November, 1987, by and between Southern California Edison Company, a California corporation ("Company"), and Harris Trust and Savings Bank, an Illinois banking corporation having trust powers ("Trustee").

WHEREAS, the Company is the owner of: (1) an 80 percent undivided interest in Unit One of the San Onofre Nuclear Generating Station ("SONGS Unit No. 1"); (2) a 75.05 percent undivided interest in Unit Two of the San Onofre Nuclear Generating Station ("SONGS Unit No. 2"); (3) a 75.05 percent undivided interest in Unit Three of the San Onofre Nuclear Generating Station ("SONGS Unit No. 3"); (4) a 15.80 percent undivided interest in Unit One of the Palo Verde Nuclear Generating Station ("Palo Verde Unit No. 1"); (5) a 15.80 percent undivided interest in Unit Two of the Palo Verde Nuclear Generating Station ("Palo Verde Unit No. 2"); and (6) a 15.80 percent undivided interest in Unit Three of the Palo Verde Nuclear Generating Station ("Palo Verde Unit No. 3"); and

WHEREAS, the Company is subject to regulation by the California Public Utilities Commission ("CPUC"), an agency of the State of California created and existing pursuant to California Constitution Article XII, §1, and by the Nuclear Regulatory Commission ("NRC"), an agency of the United States government created and existing pursuant to 42 U.S.C. §5841; and

WHEREAS, the CPUC has permitted the Company to include in its cost of service for ratemaking purposes certain amounts to be contributed by the Company to decommissioning funds which are not qualified under Section 468A of

the Internal Revenue Code of 1986, 26 U.S.C. §1 et seq. in order to provide adequate monies for the Company's share of decommissioning costs with respect to SONGS and Palo Verde:

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Company hereby agrees to deliver to the Trustee and the Trustee hereby agrees to receive the initial contribution of monies to the Master Trust on or before March 1, 198⁸; and

TO HAVE AND TO HOLD, such monies and such additional monies as may from time to time be added thereto as provided herein, together with the proceeds and reinvestments thereof (hereinafter collectively called the "Master Trust") unto the Trustee;

IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms and conditions hereinafter set forth:

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DEFINITIONS, PURPOSE, AND NAME

1.01 Definitions. As used in this Decommissioning Master Trust Agreement, the following terms shall have the following meanings:

- (1) "Act" shall mean the Uniform Principal and Income Act from time to time in effect in the State of California, and on the date hereof set forth in California Probate Code §16300 et seq.
- (2) "Agreement" shall mean and include this Decommissioning Master Trust Agreement as the same may from time to time be amended, modified, or supplemented.
- (3) "Authorized Representative" shall mean, with respect to the Company, the Chief Executive Officer, President, or any Vice President of the Company; and with respect to the Committee, the members of the Committee, or any other person designated as an Authorized Representative of the Committee by a Certificate filed with the Trustee.
- (4) "Board of Directors" shall mean the Board of Directors of the Company, as duly elected from time to time.
- (5) "Certificate" or "Certification" shall mean a written Certificate signed by two Authorized Representatives of the Company for a Certificate of the Company, or two Authorized Representatives of the Committee for a Certificate of the Committee.

- (6) "Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.
- (7) "Committee" shall mean the Nuclear Facilities Decommissioning Master Trust Committee established pursuant to Article III.
- (8) "CPUC" shall mean the California Public Utilities Commission, as defined and set forth in Section I of Article XII of the California Constitution, or its successor.
- (9) "CPUC Order" shall mean an order or resolution issued by the CPUC after the Company, the Committee, the CPUC Staff, the Trustee, and other interested parties have been given notice and an opportunity to be heard. The order may be issued with or without hearing or by the CPUC Advice Letter procedure or comparable procedure.
- (10) "Decommissioning Contributions" shall mean all amounts for decommissioning expenses of the Plants reflected in the Company's adopted annualized cost of service in and for the CPUC jurisdiction and contributed to the Funds for decommissioning expenses of the Plants.
- (11) "Decommissioning Costs" shall mean the costs incurred in decommissioning the Plants.
- (12) "Disbursement Certificate" shall mean a document properly completed and executed by two Authorized Representatives of the Company and substantially in the form of Exhibit A hereto.

- (13) "Funds" shall mean the SONGS Unit No. 1 Nonqualified Fund, the SONGS Unit No. 2 Nonqualified Fund, the SONGS Unit No. 3 Nonqualified Fund, the Palo Verde Unit No. 1 Nonqualified Fund, the Palo Verde Unit No. 2 Nonqualified Fund, and the Palo Verde Unit No. 3 Nonqualified Fund, collectively.
- (14) "Fund Account" shall mean a separate account established by this Agreement and maintained by the Trustee for each Fund to account for all Decommissioning Contributions (or other contributions as described in Section 2.02) made to each Fund, all income and other increments to each Fund and all disbursements from each Fund.
- (15) "Final Disbursements" shall have the meaning set forth in Section 2.01(6) hereof.
- (16) "Interim Disbursements" shall have the meaning set forth in Section 2.01(5) hereof.
- (17) "Investment Manager(s)" shall mean the fiduciary specified in the Investment Manager Agreement(s):
- (a) Which has been retained by the Committee to manage, acquire, or dispose of any asset belonging to the Master Trust; and
 - (b) Which is:
 - (1) registered as an investment adviser under the Investment Advisers Act of 1940, or

(ii) a bank, as defined in that Act, or

(iii) An insurance company qualified to perform services described in subsection (a) above, under the laws of more than one state, and

(c) Which has acknowledged, in writing, that it is a fiduciary with respect to the Master Trust, that it is qualified to act under subsection (b) above, and has agreed to be bound by all of the terms, provisions, and covenants of this Agreement.

(18) "Investment Manager Agreement(s)" shall mean the agreement(s) between the Committee and an investment manager(s) selected by the Committee which agreement governs the management of the assets of the Master Trust and is confirmed by the CPUC.

(19) "Master Trust" shall consist of all contributions to any Fund together with investments and reinvestments thereof and any income, earnings and appreciation thereon.

(20) "Plants" shall mean the San Onofre Nuclear Generating Station Unit Nos. 1, 2 and 3 and the Palo Verde Nuclear Generating Station Unit Nos. 1, 2, and 3, collectively.

(21) "Palo Verde Unit No. 1" shall mean Unit One of the Palo Verde Nuclear Generating Station.

(22) "Palo Verde Unit No. 1 Nonqualified Fund" shall mean the Fund

established and maintained under the Master Trust for decommissioning Palo Verde Unit No. 1 to which monies are contributed which are not subject to the conditions and limitations of Section 468A of the Code.

(23) "Palo Verde Unit No. 2" shall mean Unit Two of the Palo Verde Nuclear Generating Station.

(24) "Palo Verde Unit No. 2 Nonqualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning Palo Verde Unit No. 2 to which monies are contributed which are not subject to the conditions and limitations of Section 468A of the Code.

(25) "Palo Verde Unit No. 3" shall mean Unit Three of the Palo Verde Nuclear Generating Station.

(26) "Palo Verde Unit No. 3 Nonqualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning Palo Verde Unit No. 3 to which monies are contributed which are not subject to the conditions and limitations of Section 468A of the Code.

(27) "Ratepayers" shall mean those customers of the Company receiving electric service in accordance with CPUC approved tariff schedules.

(28) "Service" shall mean the Internal Revenue Service.

- (29) "SONGS Unit No. 1" shall mean Unit One of the San Onofre Nuclear Generating Station.
- (30) "SONGS Unit No. 1 Nonqualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning SONGS Unit No. 1 to which monies are contributed which are not subject to the conditions and limitations of Section 468A of the Code.
- (31) "SONGS Unit No. 2" shall mean Unit Two of the San Onofre Nuclear Generating Station.
- (32) "SONGS Unit No. 2 Nonqualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning SONGS Unit No. 2 to which monies are contributed which are not subject to the conditions and limitations of Section 468A of the Code.
- (33) "SONGS Unit No. 3" shall mean Unit Three of the San Onofre Nuclear Generating Station.
- (34) "SONGS Unit No. 3 Nonqualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning SONGS Unit No. 3 to which monies are contributed which are not subject to the conditions and limitations of Section 468A of the Code.
- (35) "Trustee" shall have the meaning set forth in the first paragraph of this Agreement.

(36) "Units" shall mean SONGS Unit No. 1, SONGS Unit No. 2, SONGS Unit No. 3, Palo Verde Unit No. 1, Palo Verde Unit No. 2, and Palo Verde Unit No. 3, collectively.

(37) "Withdrawal Certificate" shall mean a document properly completed and executed by two Authorized Representatives of the Company and substantially in the form of Exhibit B hereto.

1.02 Authorization. The Trustee and the Company hereby represent and warrant that each has full legal authority and is duly empowered to enter into this Agreement, and has taken all action necessary to authorize the execution of this Agreement by the officers and persons signing it.

1.03 Master Trust Purpose. The exclusive purposes of this Master Trust are to provide monies for the contemplated decommissioning of the Plants.

1.04 Establishment of Master Trust. By execution of this Agreement, the Company:

(a) establishes the Master Trust which shall consist of such Decommissioning Contributions (or other contributions as described in Section 2.02) as may be delivered to the Trustee by the Company for the Funds. The Master Trust also shall include additional Decommissioning Contributions (or other contributions as described in Section 2.02), investments and reinvestments thereof, and earnings and appreciation thereon;

(b) establishes the Funds, each of which shall constitute a trust

consisting of such Decommissioning Contributions (or other contributions as described in Section 2.02) as may be delivered to the Trustee by the Company designated for such Fund. Each Fund shall also include additional Decommissioning Contributions (or other contributions as described in Section 2.02) designated for such Fund, together with investments and reinvestments thereon; and

(c) appoints Harris Trust and Savings Bank as Trustee of the Master Trust and each of the Funds.

1.05 Name of Master Trust. The monies received by the Trustee from the Company (together with any additional monies contributed by the Company and the proceeds and reinvestments thereof) shall constitute the "Southern California Edison Company Nuclear Facilities Nonqualified CPUC Decommissioning Master Trust for San Onofre and Palo Verde Nuclear Generating Stations".

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II

DISPOSITIVE PROVISIONS

After payment of the expenses described in Section 6.01 hereof, the Trustee shall distribute the Master Trust as follows:

2.01 Payment of Nuclear Decommissioning Costs. The Trustee shall make payments of the Decommissioning Costs in accordance with the following procedures:

- (1) Authorized Representative. The Committee shall promptly notify the Trustee of the selection and appointment of any Authorized Representative of the Committee. The Trustee shall have no duty to inquire into or investigate the continued authority of such person to act as the Authorized Representative. The Committee shall provide the Trustee with written notice of the termination of any Authorized Representative's authority.

- (2) Disbursements to Third Parties. Requests for payments of Decommissioning Costs to any person (other than the Company) for goods provided or labor or other services rendered to the Company in connection with the decommissioning of the Plants shall be submitted to the Trustee on a Disbursement Certificate.

- (3) Reimbursement to the Company. Requests for payments to the Company in reimbursement of Decommissioning Costs actually incurred by the Company and paid by the Company to any other person shall be submitted to the Trustee on a Withdrawal Certificate.

(4) Payment of Decommissioning Costs. The Trustee shall pay Decommissioning Costs when a Disbursement Certificate or Withdrawal Certificate is filed with the Trustee, showing with respect to each withdrawal of money:

- (a) the name and address of the person or entity to whom payment is due (which may be the Company);
- (b) the amount of money to be paid;
- (c) the purpose for which the obligation to be paid was incurred; and
- (d) a CPUC Order authorizing either Interim Disbursements or Final Disbursements. A copy of such order shall accompany the Disbursement Certificate or Withdrawal Certificate.

Each Disbursement Certificate or Withdrawal Certificate must certify that the expenses to be paid constitute Decommissioning Costs and shall provide satisfactory evidence to the Trustee of same.

(5) Interim Disbursements. The estimated costs and schedule for decommissioning each of the Plants shall be reviewed periodically and updated when the revenue requirement for decommissioning is reviewed by the CPUC in the Company's general rate cases. Two years prior to the time decommissioning of a Plant or Plants is estimated to begin, the Company shall apply for CPUC approval of

the estimated cost and schedule for decommissioning each Plant or Plants. Upon approval of the cost and schedule for decommissioning each Plant or Plants, the CPUC shall authorize Interim Disbursements from the applicable Fund to pay Decommissioning Costs. Upon the occurrence of changed circumstances the Company may apply to the CPUC for approval of amendments to the cost and schedule for decommissioning each Plant. Interim Disbursements shall be limited to 90% of the forecast of Decommissioning Costs approved by the CPUC. Final payment from the applicable Fund for all Decommissioning costs shall be made pursuant to Section 2.01(6).

(6) Final Disbursements. The Company shall apply for and acquire CPUC approval of the estimated final cost for decommissioning each Plant or Plants. Such application shall be made one year in advance of the time the Company estimates use of funds exceeding 90% of the forecast of Decommissioning Costs approved by the CPUC will be required. Upon approval of the final cost of decommissioning each Plant or Plants, the CPUC shall authorize Final Disbursements from the applicable Fund to pay Decommissioning Costs. The Trustee shall make a Final Disbursement when a CPUC Order and a Disbursement Certificate or Withdrawal Certificate is filed with the Trustee to show:

(a) the name and address of the person or entity to whom payment is due, including reimbursement to the Company;

(b) the amount of money to be paid; and

(c) the purpose for which the obligation to be paid was incurred.

2.02 Additions to Master Trust. From time to time after the initial contribution to the Master Trust and prior to the termination of this Trust, the Company may make, and the Trustee shall accept, additional contributions of money to the Master Trust to satisfy the purpose of this Master Trust as set forth in Section 1.03, which contributions may be made to the applicable Fund Account(s).

2.03 No Transfers Between Fund Accounts. The Trustee and the Company understand and agree that it is of the essence that no transfer of monies is to occur between Fund Accounts except when explicitly indicated by Certificate of the Company that such transfer is necessary to effectuate the purposes of this Master Trust.

2.04 Designation of Funds. Upon: (a) the initial contribution to the Master Trust; (b) any withdrawal from the Master Trust for Decommissioning Costs pursuant to Section 2.01 or for administrative expenses pursuant to Section 6.01; or (c) any addition to the Master Trust pursuant to Section 2.02, the Company shall designate, by Certificate, the appropriate Fund Account(s) which are to be credited or debited by such contribution, withdrawal, addition, or adjustment, and the Trustee shall credit or debit the appropriate Fund Account(s) in accordance with such designation.

2.05 Distribution of Income.

(1) Generally. The Trustee shall not be precluded from pooling

Decommissioning Contributions (or other contributions as described in Section 2.02) with respect to each of the Fund Accounts for investment purposes, and may treat each Fund Account's Decommissioning Contributions (or other contributions as described in Section 2.02) as having received or accrued a ratable portion of the Master Trust income in any year.

- (2) Principal and Income. All questions relating to the ascertainment of income and principal and the allocation of receipts and disbursements between income and principal shall be resolved by the Trustee in accordance with the terms of the Act.
- (3) Income on Current Collections. As of the end of each accounting period of the Trust, the income of the Master Trust shall, for purposes of all subsequent accounting periods, be treated as Master Trust principal.

2.06 No Transferability of Interest in Master Trust. The interest of the Company in the Master Trust is not transferable by the Company, whether voluntarily or involuntarily, nor subject to the claims of creditors of the Company, provided, however, that any creditor of the Company as to which a Disbursement Certificate has been properly completed and submitted to the Trustee may assert a claim directly against the Master Trust in an amount not to exceed the amount specified on such Disbursement Certificate. Nothing herein shall be construed to prohibit a transfer of the Company's interest in the Master Trust upon sale of all or part of the Company's ownership interest in any Plant(s); provided, however, that any such transfer shall be subject to the prior approval of the CPUC.

2.07 Resolution of Disagreements. If any disagreement arises between the Company, the Committee and/or the CPUC Staff regarding the Master Trust, the disagreement shall be submitted to the CPUC for resolution by issuance of a CPUC Order after notice and an opportunity to be heard, as provided in the California Public Utilities Code, has been given to the Company, the Committee, the CPUC Staff, the Trustee, and any interested parties. The CPUC, on its own motion, may raise and consider any issue with regard to the Master Trust, and any such issue raised on the CPUC's own motion shall be resolved as provided above. Pending resolution of the disagreement, the Trustee shall act in accordance with the Committee's direction. Nothing in this Agreement shall be construed to limit the rights of the Company, the Committee, the CPUC Staff, the Trustee or any other interested party under the California Public Utilities Code or the California Constitution or other applicable laws or regulations.

2.08 Termination of Master Trust. This Master Trust shall be irrevocable and will terminate (in whole or in part) upon the earlier of:

- (1) Receipt by the Trustee of a Certificate from the Committee stating that substantial completion of the nuclear decommissioning of the Plants has occurred (as defined in Treasury Regulations promulgated under Code Section 468A);
- (2) The twentieth anniversary of the date of the death of the survivor from among a class consisting of all of the descendants of John D. Rockefeller, late of New York, New York, born on or prior to January 1, 1987; or

(3) At such earlier time as the CPUC may order the Committee to terminate all or a portion of this Master Trust.

2.09 Distribution of Master Trust Upon Termination. Upon termination of this Master Trust, the Trustee shall assist the Investment Manager in liquidating the assets of the Master Trust, and thereupon distributing the then-existing assets of the Master Trust, (including accrued, accumulated, and undistributed net income) less final Master Trust administrative expenses (including accrued taxes) to the Company; provided, however, that no such distribution shall be made unless the Committee provides a Certificate to the Trustee stating that a CPUC Order has been issued which specifically authorizes such payment to the Company for distribution to the Company's then current Ratepayers, or as otherwise provided in the order. In the event the Funds are no longer needed for Decommissioning Costs and/or Master Trust administration expenses, they shall be returned to Ratepayers in a manner to be prescribed in an Order of the CPUC. In the event the CPUC or a successor no longer exists, the Trustee shall make such distribution to the Company upon receipt of an opinion of legal counsel to the Company accompanying a Certificate of the Company stating that no such CPUC Order is necessary to authorize such distribution.

2.10 Alterations and Amendments. The Trustee and the Company understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purposes of this Trust.

The CPUC by Order may direct the Company to amend, in whole or in part, any or all of the provisions of this Agreement; provided that the CPUC

shall not cause the Company to amend this Agreement if such action would defeat the purpose of the Master Trust. The Committee may also amend this Agreement thirty days after filing a copy of the proposed amendment with the CPUC. No proposed amendment may be made if written objections to the proposed amendment are filed within the thirty-day period. Any party making written objections to a proposed amendment shall serve the written objections with a certificate of service on the Company, the Committee, the Trustee, and the CPUC Staff on the same day the written objections are filed with the CPUC. Any written objections which cannot be settled shall be resolved in accordance with Section 2.07. Proposed amendments filed with the CPUC shall include in the transmittal letter a reference to the foregoing procedure for making written objection to such proposed amendments. Notwithstanding anything herein to the contrary, no amendment which affects the specific rights, duties, responsibilities, or liabilities of the Trustee, shall be made without its consent and no amendment shall be effective prior to the Trustee receiving reasonable notice thereof.

2.11 No Authority to Conduct Business. The purpose of this Master Trust is limited to the matters set forth in Section 1.03 above, specifically, and there is no objective to carry on any business unrelated to the Master Trust purposes set forth in Section 1.03 hereof, or divide the gains therefrom.

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III

THE COMMITTEE

3.01 Members. The Committee shall consist of five (5) members. The members shall be nominated by the management of the Company, and their nomination shall be confirmed by the Board of Directors of the Company. No more than two (2) of the members of the Committee shall be employees, officers, or directors of the Company, or otherwise be agents of the Company in any capacity except as members of the Committee. The names of the nominees shall be furnished to the CPUC in writing within ten (10) days of their nomination. The Company shall furnish the CPUC with a resume of their background and qualifications. The three (3) nominees who are not affiliated with the Company shall be confirmed by the CPUC within 60 days of their submittal. For these three nominees, the Company shall furnish to the CPUC a statement in writing affirming that such nominees are not employees, officers, directors, or otherwise agents of the Company and providing sufficient additional information to determine the existence of any conflict or potential conflict of interest. The three (3) nominees who are not affiliated with the Company shall furnish the CPUC with a declaration that the nominee has no financial or other interest that would conflict with the discharge of their responsibilities as Committee members. Ownership of minor amounts of the Company's stock and/or being a customer of the Company, and/or having routine business relationships, such as providing normal banking services shall not be regarded as creating such a conflict or an agency relationship:

If at any time and for any reason there are insufficient members of the

Committee not affiliated with the Company to permit the Committee to obtain a quorum, the CPUC, at the request of the Company, may issue an Order allowing the Committee to function for a limited period of time with more than two (2) members who are employees, officers and/or directors of the Company. Should the CPUC issue such an Order, it shall prescribe in that Order the limited period of time during which the Committee may be composed of more than two (2) members who are officers, employees and/or directors of the Company, and it shall prescribe a time by which the Company must submit the names of new nominees for confirmation by the CPUC. The Committee shall not function with more than two (2) members who are officers, employees and/or directors of the Company except upon such Order of the CPUC, and then only within the period of time prescribed in the Order of the CPUC.

3.02 Term. The term of each member shall be five (5) years; however, any member may be removed by the CPUC for reasonable cause at any time. The Company shall notify the Trustee and the Investment Manager(s) of all appointments and replacements of Committee members in writing signed by an Authorized Representative. Initial appointments of Committee members may be for less than a five-year term in order to establish staggered membership terms among the members of the Committee.

3.03 Acts of Committee. Each member of the Committee shall have one vote and the Committee shall act by majority decision. It shall require a minimum of four (4) members of the Committee to constitute a quorum in order for the Committee to act. Votes of members of the Committee shall be recorded on all matters voted on or decided by the Committee. Full minutes of Committee meetings shall be maintained. The Committee

shall be subject to the jurisdiction of the CPUC.

3.04 Duties of Committee. The Committee shall direct and manage the Master Trust and perform all duties attendant thereto, including the appointment of trustees and investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest such assets. The Committee may retain the services of such professional advisors, legal counsel, and administrative support as it deems necessary to carry out its responsibilities hereunder. The reasonable fees and/or compensation of any such assistance the Committee may desire to retain shall be regarded as appropriate Master Trust administration expenses.

3.05 Committee Reports. The Committee shall evaluate the performance of the Trustee and Investment Manager(s) annually and submit a written report to the CPUC. The report shall be confidential and submitted to the CPUC by the Company under the provisions of Section 583 of the Public Utilities Code or applicable successor provision. The report shall include, at a minimum:

- (a) A finding, with supporting analysis, as to whether the current Trustee and Investment Manager(s) should be retained or replaced;
- (b) In the case where more than one investment manager is used, a justification therefor;
- (c) The voting record of the Committee members and the minutes of all Committee meetings; and

- (d) An itemized accounting of the Master Trust administration expenses and the basis therefor.

At least once every three years the Committee shall evaluate potential substitute trustees and investment managers and submit a report thereon to the CPUC. The report shall be confidential and submitted to the CPUC by the Company under the provisions of Section 583 of the Public Utilities Code or applicable successor provision. This report may be combined with the annual report described above, and shall include, at a minimum:

- (a) A description of the Committee's attempts to solicit proposals from other firms which can perform the trust and investment management duties;
- (b) An evaluation of at least three firms which could potentially replace the current Trustee and/or Investment Manager(s); and
- (c) A justification of the continued use of investment manager(s) on a retainer basis, as opposed to the Trustee's employment of an "in house" investment advisor.

The Committee shall not be required to solicit proposals to replace a Trustee(s) or Investment Manager(s) who, in the judgment of the Committee, are performing adequately and have served as a Trustee and/or Investment Manager hereunder for less than three years.

3.06 Compensation. Each Committee member who is not an employee, officer,

director, or otherwise an agent of the Company shall be entitled to reasonable fees and/or compensation for their services hereunder. At the time a nominee's name is furnished to the CPUC, the Company shall furnish to the CPUC a statement in writing setting forth all proposed fee and/or compensation arrangements with such nominee. The fee and/or compensation arrangements shall be subject to the approval of the CPUC. If the fee and/or compensation arrangements with any member should be changed for any reason whatsoever, within ten (10) days of such change, the Company shall furnish to the CPUC a statement in writing fully describing the new fee and/or compensation arrangements, and such changes shall be subject to the approval of the CPUC. Each Committee member shall be reimbursed for all reasonable expenses incurred in connection with the performance of his duties under this Agreement. Fees and/or compensation paid to members of the Committee, reasonable expenses of the members of the Committee, including premiums for liability insurance if applicable, shall be regarded as appropriate Master Trust administration expenses.

3.07 Committee May Limit Trustee Actions. The Trustee shall not take any act or participate in any transaction which would violate the terms and conditions of any instructions provided by a Certificate of the Committee so long as the terms and conditions of the Certificate are consistent with this Agreement.

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IV

TRUSTEES

4.01 Designation and Qualification of Successor Trustee(s). The Company by this Agreement has appointed the corporate fiduciary named herein having all requisite corporate power and authority to act as the sole original Trustee. The Trustee shall act in accordance with the directions provided to it by the Committee under the terms of this Agreement. At any time during the term of this Trust, the Committee shall have the right to remove the Trustee acting hereunder and appoint another qualified corporation as a Successor Trustee upon thirty (30) days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that the Trustee or any Successor Trustee shall: (a) become insolvent or admit in writing its insolvency; (b) be unable or admit in writing its inability to pay its debts as such debts mature; (c) make a general assignment for the benefit of creditors; (d) have an involuntary petition in bankruptcy filed against it; (e) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, statute, or proceeding; or (f) resign, the Trustee or Successor Trustee shall cease to act as a fiduciary of this Master Trust and the Committee shall appoint a Successor Trustee. In the event of any such removal or resignation, the Trustee or Successor Trustee shall have the right to have its accounts settled as provided in Section 4.05 hereof. Any successor to the Committee, as provided herein, shall have the same right to remove and to appoint any Trustee or Successor Trustee.

Any Successor Trustee shall qualify by a duly acknowledged acceptance of this Master Trust, delivered to the Company, the Committee and the CPUC. Upon acceptance of such appointment by the Successor Trustee, the Trustee shall assign, transfer and pay over to such Successor Trustee the monies and properties then constituting the Master Trust. Any Successor Trustee shall have all the rights, powers, duties and obligations herein granted to the original Trustee.

If for any reason the Committee cannot or does not act in the event of the resignation or removal of the Trustee, as provided above, the Trustee may apply to the CPUC for the appointment of a Successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be an expense of administration payable in accordance with Section 6.01 hereof.

4.02 Resignation. The Trustee or any Successor Trustee hereof may resign and be relieved as Trustee at any time without prior application to or approval by or order of the CPUC or of any court by a duly acknowledged instrument, which shall be delivered to the Company and the Committee by the Trustee not less than sixty (60) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Company and the Committee.

4.03 Compensation. The Trustee shall be entitled to compensation from the Master Trust as follows:

Fee Schedule

Base Fee: \$500 per investment manager

Transaction Charge: \$15 per transaction

Combined Asset Charge (applied to the total of all assets held by the Trustee in the Company's nuclear decommissioning trusts):

20¢ per \$1,000 on the first \$50 million

12¢ per \$1,000 on the next \$150 million

7¢ per \$1,000 on the next \$100 million

5¢ per \$1,000 on the excess

This fee schedule is effective for the first six years from the date assets are initially contributed to the Company's nuclear decommissioning Master Trust. Nothing herein shall preclude renegotiation of the foregoing fee schedule due to significantly changed circumstances, provided, however, that any change in the fee schedule shall require the approval of the CPUC prior to becoming effective.

Whenever the Trustee exercises its investment discretion as provided in Article VII, it shall be entitled to compensation from the Master Trust as follows:

Investment Management

Fee Schedule

Combined Asset Charge (applied to the total market value of the assets placed under the Trustee's investment discretion):

\$1.00 per \$1,000 on the first \$50 million

\$0.80 per \$1,000 on the next \$150 million

\$0.70 per \$1,000 on the excess

This fee schedule shall be effective through 1995 for all assets placed under the Trustee's investment discretion prior to January 1, 1990.

The fee schedule for assets placed under the Trustee's investment discretion on or after January 1, 1990 shall be subject to renegotiation. The renegotiated fee schedule shall require the approval of the CPUC prior to becoming effective.

4.04 Establish Fund Accounts. The Trustee shall maintain separate Fund Accounts for each Fund established by this Agreement to account for Decommissioning Contributions (or other contributions as described in Section 2.02) made to each Fund, and all income and other increments to each Fund, and disbursements from each Fund subject to the provisions of Section 2.04 above.

4.05 Accounts. The Trustee shall present financial statements to the Company and the Committee on a quarterly basis (within forty-five (45) days following the close of each quarter), or at such other frequency as the Committee shall from time to time require. The financial

statements shall show the financial condition of the Master Trust, including, without limitation, income and expenses of the Master Trust for the period. The Trustee shall assume responsibility for employing independent certified public accountants to audit the financial statements not less frequently than annually, subject to the provisions contained in Section 6.05. The Company and the Committee shall have the right to object to any of the Trustee's audited financial statements. If either the Company or the Committee desires to object to the Trustee's audited financial statements it shall deliver notice of its objection to the Trustee in writing within three years from the day the Trustee shall mail or deliver such audited financial statements to the Company and the Committee. If no written objection is made within that time, the presentation of the audited financial statements to the Company and the Committee shall release and discharge the Trustee with respect to all acts or omissions to the date of said audited financial statements; provided, however, that nothing contained herein shall be deemed to relieve the Trustee of any liability which may be imposed pursuant to Section 4.07 hereof.

4.06 Tax Returns and Other Reports. The Trustee, the Committee and the Company shall cooperate in the preparation of income or franchise tax returns or other reports as may be required from time to time and, subject to the limitations contained in Section 6.05, may employ independent certified public accountants or other tax counsel to prepare or review such returns and reports. The Trustee shall present to the Company and the Committee on a monthly basis a report setting forth all investments purchased by the Investment Manager(s) during the previous month. The Trustee shall advise the Company and the Committee

if any of the investments, in the Trustee's opinion, may constitute a violation of the restrictions on investment of trust assets outlined in Section 7.02 hereof.

4.07 Liability. The Trustee shall be liable for the acts, omissions or defaults of its own officers and employees. The Trustee shall not be liable for the acts, omissions or defaults of its agents, provided any such agents were selected with reasonable care and the performance and status of the agent is monitored with reasonable care throughout the duration of the agency relationship. The Trustee shall not be liable for the failure or default of any bank or depository, provided any such bank or depository was selected with reasonable care and its performance and status is monitored with reasonable care. Except where the Trustee exercises its investment discretion as provided in this Agreement, the Trustee shall not be liable for the acts or omissions of any Investment Manager(s) acting hereunder. Except as provided in Section 4.05, the Trustee shall not be liable in regard to the exercise or nonexercise of any powers and discretions properly delegated pursuant to the provisions of this Agreement.

Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for any losses, penalties or assessments flowing from violation of the restrictions on the investment of trust assets as set forth in Section 7.02 hereof where the decision to invest trust assets in investments not meeting the restrictions outlined in Section 7.02 hereof was made by or was in the power and control of the Trustee as provided in this Agreement.

Pursuant to Section 6.08 of this Agreement, the Trustee is prohibited from doing any act or knowingly engaging in any transaction that would violate the terms and conditions of any instructions provided by written Certificate of the Committee, or contravening any provision of this Agreement. Upon receipt of a Certificate of the Committee giving the Trustee notice of either (a) instructions of the Committee to the Trustee, or (b) acts or transactions the Committee believes constitute a violation by the Trustee of the provisions of this Agreement, the Trustee shall follow the instructions of the Committee, and/or cease and desist from the acts identified in the Certificate as violating the provisions of this Agreement. To the extent the Trustee fails to follow the instructions of the Committee, or continues with any act identified in the Certificate as violating the provisions of this Agreement, from the date of receipt of the Certificate providing the instructions and/or notice of violation of the provisions of this Agreement, the Trustee (and not the Master Trust) shall be liable for all consequences flowing from any failure to follow the Committee's instructions, and/or flowing from any violation by the Trustee of the provisions of this Agreement. Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for all consequences flowing from any violation by the Trustee of the provisions of this Agreement, regardless of whether notice thereof was provided by the Committee.

4.08 Indemnity of Trustee. The Trustee shall be held harmless from any and all liability in acting in accordance with a proper Certificate or Certification of the Company or the Committee.

INVESTMENTS

5.01 Appointment of Investment Manager(s). The Committee may appoint one or more Investment Managers to direct the investment of all or part of the Master Trust. The Committee shall also have the right to remove any such Investment Manager. The appointment of the Investment Manager(s) shall be made in accordance with any procedures specified by the Committee. The Committee shall provide notice of any such appointment by Certification to the Trustee which shall specify the portion of the Master Trust with respect to which the Investment Manager(s) has been designated. The Investment Manager(s) shall certify in writing to the Trustee that it is qualified to act in the capacity provided under the Investment Manager Agreement, shall accept its appointment as such Investment Manager(s), shall certify the identity of the person or persons authorized to give instructions or directions to the Trustee on its behalf, including specimen signatures, and shall undertake to perform the duties imposed on it under the Investment Manager Agreement. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by the Committee or the Investment Manager(s), as the case may be.

5.02 Direction by Investment Manager(s). Notwithstanding Section 7.04, the Investment Manager(s) designated by the Committee to manage any portion of the Master Trust shall have authority to manage, acquire, and dispose of the assets of the Master Trust, or a portion thereof as the case may be. The Investment Manager(s) is authorized to invest in the securities specified in Section 7.02. The Investment Manager(s) shall

have the power and authority, exercisable in its sole discretion at any time, and from time to time, to issue and place orders for the purchase or sale of portfolio securities directly with qualified brokers or dealers. The Trustee, upon proper notification from an Investment Manager, shall execute and deliver in accordance with the appropriate trading authorizations. Written notification of the issuance of each such authorization shall be given promptly to the Trustee by the Investment Manager(s), and the Investment Manager(s) shall cause the execution of such order to be confirmed in writing to the Trustee by the broker or dealer. Such notification shall be proper authority for the Trustee to pay for portfolio securities purchased against receipt thereof and to deliver portfolio securities sold against payment therefor, as the case may be.

The authority of the Investment Manager(s) and the terms and conditions of the appointment and retention of the Investment Manager(s) shall be the responsibility solely of the Committee, and the Trustee shall not be deemed to be a party to or to have any obligations under any agreement with the Investment Manager(s). Any duty of supervision or review of the acts, omissions or overall performance of the Investment Manager(s), shall be the exclusive responsibility of the Committee, and except as provided in Section 4.06 herein, the Trustee shall have no duty to review any securities or other assets purchased by the Investment Manager(s), or to make suggestions to the Investment Manager(s) or to the Committee with respect to the exercise or nonexercise of any power by the Investment Manager(s).

Unless the Trustee participates knowingly in, or knowingly undertakes to

conceal an act or omission of an Investment Manager(s) knowing such act or omission to be a breach of the fiduciary responsibility of the Investment Manager(s), the Trustee shall be under no liability for any loss of any kind which may result by reason of any action taken by it in accordance with any direction of the Investment Manager(s). In any event, the Trustee shall be under no liability for any loss of any kind by reason of changes in value of the investments purchased, sold, or retained by the Investment Manager(s), nor for the risk or diversification of the portfolio, nor for the turnover of the investments, nor for any other aspect of a portfolio for which an Investment Manager(s) has been appointed.

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TRUSTEE'S GENERAL POWERS

The Trustee shall have, with respect to the Master Trust, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of this Master Trust and the beneficiaries thereof, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine and, except as otherwise provided, which are intended in no way to limit the powers of the office, namely:

- 6.01 Payment of Expenses of Administration. To pay all ordinary and necessary expenses and other incidental costs including, but not limited to, Investment Manager(s) fees and Committee member(s) fees, the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by the Committee as provided in Section 3.04, expenses and insurance policy premiums as provided in Section 3.06, incurred in connection with this Master Trust or the Master Trust in the discharge of the Trustee's fiduciary obligations under this Agreement.
- 6.02 Extension of Obligations and Negotiation of Claims. To renew or extend the time of payment of any obligation, secured or unsecured, payable to or by this Trust, for as long a period or periods of time and on such terms as the Trustee shall determine, and to adjust, settle, compromise, and arbitrate claims or demands in favor of or against this Trust, including claims for taxes, upon such terms as the Trustee may deem advisable, subject to the procedures contained in Section 2.01.

- 6.03 Registration of Securities. To hold any stocks, bonds, securities, and/or other property in the name of a nominee, in a street name, or by other title-holding device, without indication of trust.
- 6.04 Location of Assets. To keep any property belonging to the Master Trust at any place in the United States.
- 6.05 Retention of Professional Services. To execute any of the powers hereof and perform the duties required of it hereunder by or through its employees, agents, attorneys, or receivers.
- 6.06 Delegation of Ministerial Powers. To delegate to other persons such ministerial powers and duties as the Trustee may deem to be advisable.
- 6.07 Powers of Trustee to Continue Until Final Distribution. To exercise any of such powers after the date on which the principal and income of the Master Trust shall have become distributable and until such time as the entire principal of, and income from, the Master Trust shall have been actually distributed by the Trustee. It is intended that distribution of the Master Trust will occur as soon as possible upon termination of the Trust, subject, however, to the limitations contained in Sections 2.08 and 2.09 hereof.
- 6.08 Discretion in Exercise of Powers. To do any and all other acts which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Master Trust Agreement, provided, however, that the Trustee may not do any act or participate in any transaction which would:

(1) Contravene any provision of this Agreement; or

(2) Violate the terms and conditions of any instructions provided by
written Certificate by the Committee.

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VII

TRUSTEE'S INVESTMENT POWERS

The Trustee recognizes the authority of the Investment Manager(s) to manage, invest, and reinvest the assets of the Master Trust pursuant to the Investment Manager Agreement and as provided in Section 5.02 of this Agreement, and the Trustee agrees to cooperate with the Investment Manager(s) as deemed necessary to accomplish these tasks. Notwithstanding the foregoing, the Trustee shall without the written authorization of the Committee invest cash balances in an investment account on a daily basis to the extent reasonable. Upon the written authorization of the Committee from time to time, the Trustee shall have the following investment powers, all of which are fiduciary powers to be executed in a fiduciary capacity and in the best interest of this Master Trust and the beneficiaries thereof, and which are to be exercised by the Trustee in its discretion, acting in such fiduciary capacity:

7.01 Preservation of Principal. The Trustee in its exercise of investment discretion as authorized by the Committee shall hold, manage, and invest the assets of this Master Trust in a manner designed to maximize and preserve the income and principal of this Master Trust for the purposes of this Trust, except as provided in Sections 7.02 and 7.03.

7.02 Investment of Funds. To invest and reinvest all or any part of the Funds, including any undistributed income therefrom, in:

- (1) Public debt securities of the United States, obligations of a state or local government that are not in default as to principal or interest, or time or demand deposits in a bank or insured credit union;

- (2) Guaranteed investment contracts, high-quality corporate bonds and equity securities as established by written guidelines of the Committee which shall be provided to the Trustee from time to time, and other securities guaranteed or secured by the U. S. government; provided however, that investments in high quality equity securities shall not exceed 60% of the Master Trust's fair market value;
- (3) Such other investments authorized by the CPUC as the Committee so notifies the Trustee by Certification; or
- (4) An investment fund whose underlying assets include the investments permitted in (1), (2) and (3) above.

The Trustee shall also have power to make loans of Master Trust securities to brokers, dealers and financial institutions provided that cash or other collateral having a market value of at least 102% of the market value of the securities loaned is deposited by the borrower with the Trustee and is maintained at a minimum of 100% of the market value of the loaned securities for each day the securities loan remains outstanding.

In all cases, however, the total investments must be sufficiently liquid to enable the Master Trust to fulfill the purposes of the Master Trust and to satisfy obligations as they become due. Nothing in this Section 7.02 shall be construed as authorizing the Trustee to carry on any business or to divide the gains therefrom.

7.03 Management of Master Trust. To sell, exchange, partition, or otherwise dispose of all or any part of the Master Trust at public or private sale, without prior application to, or approval by, or order of any court, upon such terms and in such manner and at such prices as the Trustee shall determine; to modify, renew or extend bonds, notes or other obligations or any installment of principal thereof or any interest due thereon and to waive any defaults in the performance of the terms and conditions thereof; and to execute and deliver any and all bills of sale, assignments, bonds or other instruments in connection with these powers, all at such times, in such manner and upon such terms and conditions as the Trustee may deem expedient to accomplish the purposes of this Master Trust as set forth in Section 1.03.

Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not authorize or carry out any investment which would violate the restrictions on investment of trust assets as set forth in Section 7.02 herein.

7.04 Disposition of Investments. When required to make any payments under Sections 2.01 or 6.01 hereof, the Trustee shall sell investments at the best price reasonably obtainable, or present investments for prepayment, but only upon written direction from the Committee. The Trustee shall have no liability, except for its negligence or willful misconduct, with respect to any sale or prepayment of an investment directed by the Committee or an Investment Manager or made by an Investment Manager through a broker-dealer.

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VIII

MISCELLANEOUS

- 8.01 Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.
- 8.02 Particular Words. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine, or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, trust, company, or corporation.
- 8.03 Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Company, the Committee, the Trustee and the CPUC any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation contained herein. The Company shall be entitled to receive payments for Decommissioning Costs and administrative expenses of the Master Trust which the Company may incur in carrying out the purpose set forth in Section 1.03 of this Agreement. It is intended by all parties hereto that the Company's Ratepayers, who shall be represented solely by the CPUC, be the ultimate beneficiary of this Agreement in that the decommissioning activities contemplated by this Agreement, which are to be performed by the Company, will inure to the benefit of the Company's

Ratepayers and the General Public.

8.04 Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other than those as to which it is invalid or unenforceable and the other provisions of this Agreement, shall not be affected by such invalidity or unenforceability.

8.05 Form and Content of Communications. The names of any person authorized to act on behalf of the Company and/or the Committee shall be certified, with the specimen signature of such person, to the Trustee by the Company and the Committee. Until appropriate written evidence to the contrary is received by the Trustee, it shall be fully protected in relying upon or acting in accordance with any written notice, instruction, direction, certificate, resolution, or other communication believed by it to be genuine and to be signed and/or certified by any proper person, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement contained therein. Until notified in writing to the contrary, the Trustee shall have the right to assume that there has been no change in the identity or authority of any person previously certified to it hereunder.

8.06 Delivery of Notices Under Agreement. Any notice required by this Agreement to be given to the Company or the Trustee shall be deemed to have been properly given when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to the Company:

SOUTHERN CALIFORNIA EDISON COMPANY
P.O. Box 800
2244 Walnut Grove Avenue
Rosemead, California 91770

Attention: Nuclear Facilities Decommissioning
Trust Committee

If to the Trustee:

Harris Trust and Savings Bank
111 West Monroe Street
P.O. Box 755
Chicago, Illinois 60690

Attention: Southern California Edison Company
Nuclear Facilities Decommissioning
Master Trust(s)

If to the CPUC:

California Public Utilities Commission
505 Van Ness Avenue, Room 5025
San Francisco, California 94102

Attention: Executive Director

If to the CPUC Staff:

California Public Utilities Commission
505 Van Ness Avenue, Room _____
San Francisco, California 94102

Attention: Director of the Commission's
Evaluation and Compliance Division
(or its successor division)

The Company or the Trustee may change that address by delivering notice thereof in writing to the other party.

8.07 Successors and Assigns. Subject to the provisions of Sections 2.06 and 4.01, this Agreement shall be binding upon and inure to the benefit of the Company, the Trustee and their respective successors, assigns,

personal representatives, executors and heirs.

8.08 Governing Jurisdiction. This Master Trust is a California trust and all questions pertaining to its validity, construction, and administration shall be determined in accordance with the laws of the State of California as if executed in and to be wholly performed within the State of California.

8.09 Accounting Year. The Master Trust shall operate on an accounting year which coincides with the calendar year, January 1 through December 31.

8.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

8.11 Disbursement/Withdrawal Certificate. No provision of this Agreement shall be construed or applied so as to require the preparation of a Disbursement Certificate or a Withdrawal Certificate to authorize the payment of compensation to the Trustee under Section 4.03 or of the expenses of administration under Section 6.01.

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8.12 Approval. This agreement shall be effective when approved by the CPUC and signed by all parties.

IN WITNESS WHEREOF, the Company and the Trustee have set their hands and seals to this Agreement as of the day and year first above written.

CALIFORNIA PUBLIC UTILITIES COMMISSION
By [Signature]
Title: _____

Attest: [Signature]
Title: _____

SOUTHERN CALIFORNIA EDISON COMPANY
By [Signature]
Title: EXEC. V.P.

Attest: _____
Title: SECY.

APPROVED TO FORM:
JAMES A. GARY
Attorney General
[Signature]
Attorney
Nov. 24, 19 87

HARRIS TRUST AND SAVINGS BANK
By [Signature]
Title: Vice President

Attest: [Signature]
Title: Trust Officer

DISBURSEMENT CERTIFICATE

The undersigned, being Authorized Representatives of Southern California Edison Company ("Company"), a California corporation, and, in such capacity, being authorized and empowered to execute and deliver this certificate, hereby certifies to the Trustee of the Southern California Edison Company Nuclear Facilities Nonqualified CPUC Decommissioning Master Trust for San Onofre and Palo Verde Nuclear Generating Stations, pursuant to Section 2.01 of that certain Master Trust Agreement, dated _____, 1987, between the Trustee and Company as follows:

- (1) there is due and owing to each payee ("Payees") [all]-or-[a portion of] the invoiced cost to the Company for goods or services provided in connection with the decommissioning of [SONGS/Palo Verde] as evidenced by the Invoice Schedule (with supporting exhibits) attached as Exhibit 1 hereto;
- (2) all such amounts due and owing to the Payees constitute Decommissioning Costs; and
- (3) all conditions precedent to the making of this withdrawal and disbursement set forth in any agreement between such Payee and the Company have been fulfilled.

Accordingly, you are hereby authorized to withdraw \$_____ from the [SONGS Unit No. 1/SONGS Unit No. 2/SONGS Unit No. 3/ Palo Verde Unit No. 1/Palo Verde Unit No. 2/Palo Verde Unit No. 3] Nonqualified Fund of the Master Trust in order to permit payment of such sum to be made to Payees for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to such Payees in the following manner: [DESCRIBE: JOINT PAYEE CHECK, WIRE TRANSFER, ETC.] on or before _____, 19__.

Executed this ____ day of _____, 19__.

By _____
Authorized Representative

By _____
Authorized Representative

WITHDRAWAL CERTIFICATE

The undersigned, Authorized Representatives of Southern California Edison Company ("Company"), a California corporation, and _____, a _____ corporation and, in such capacity, being duly authorized and empowered to execute and deliver this certificate, hereby certify to the Trustee of the Southern California Edison Company Nuclear Facilities Nonqualified CPUC Decommissioning Master Trust for San Onofre and Palo Verde Nuclear Generating Stations, pursuant to Section 2.01 of that certain Master Trust Agreement, dated _____, 1987, as follows:

- (1) there is due and owing to the Company [all] or [a portion of] the invoiced cost to the Company for goods or services provided in connection with the decommissioning of [SONGS/Palo Verde] as evidenced by the Invoice Schedule with supporting exhibits attached as Exhibit 1 hereto;
- (2) all such amounts have been paid by the Company and constitute Decommissioning Costs; and
- (3) all conditions precedent to the making of this withdrawal and disbursement and the payment by the Company of the Decommissioning Costs set forth in any agreement between such payee of the Company and the Company have been fulfilled.

Accordingly, you are hereby authorized to withdraw \$_____ from the [SONGS Unit No. 1/SONGS Unit No. 2/SONGS Unit No. 3/ Palo Verde Unit No. 1/Palo Verde Unit No. 2/Palo Verde Unit No. 3] Nonqualified Fund of the Master Trust in order to permit payment of such sum to be made to the Company for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to the Company in the following manner: [DESCRIBE: CHECK, WIRE TRANSFER, ETC.] on or before _____, 19__.

Executed this ____ day of _____, 19__.

SOUTHERN CALIFORNIA EDISON COMPANY

By _____
Authorized Representative

By _____
Authorized Representative

Amendment No. 1 To The Nonqualified

CPUC Master Trust Agreement

1. Southern California Edison Company ("Edison") hereby amends Article 6.01 of its Non-tax Qualified Nuclear Decommissioning Trust to allow for reimbursement from the Trustee of the trust, Harris Trust and Savings Bank, for the taxes Edison must pay on the Nonqualified Trust earnings.
2. Article 6.01 is hereby amended as follows:

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34

Amendment (Additions are italicized)

Shown as:

6.01 Payment of Expenses of Administration. To pay all ordinary and necessary expenses and other incidental costs including, but not limited to, Investment Manager(s) fees and Committee member(s) fees, the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by the Committee as provided in Section 3.04, expenses and insurance policy premiums as provided in Section 3.06, incurred in connection with this Master Trust or the Master Trust in the discharge of the Trustee's fiduciary obligations under this Agreement.

Amended to:

6.01 Payment of Expenses of Administration. To pay all ordinary and necessary expenses and other incidental costs including, but not limited to, Investment Manager(s) fees and Committee member(s) fees, *reimbursement to the Company for taxes paid on trust earnings*, the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by the Committee as provided in Section 3.04, expenses and insurance policy premiums as provided in Section 3.06, incurred in connection with this Master Trust or the Master Trust in the discharge of the Trustee's fiduciary obligations under this Agreement.

3. This amendment shall be effective as of November 25, 1987, the date the Non-tax Qualified Nuclear Decommissioning Trust was originally executed.

4. IN WITNESS WHEREOF, Edison, the Trustee, and the California Public Utilities Commission have set their hands and seals to this Amendment as of the day and year below written.

Dated: February 6, 1989

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: 

Victor Weissner
Executive Director

SOUTHERN CALIFORNIA EDISON COMPANY

By: 

John E. Bryson
Executive Vice President

Attest: 

Jennifer Moran
Corporate Secretary

HARRIS TRUST AND SAVINGS BANK

By: 

Katherine A. Freytag
Assistant Vice President

Attest: 

Assistant Secretary

ENCLOSURE 3.C
(SDG&E Encl. 2.B.i.a)
(Applicable to SONGS 1, 2, and 3)

SAN DIEGO GAS & ELECTRIC COMPANY -
NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING MASTER
TRUST AGREEMENT FOR SAN ONOFRE NUCLEAR GENERATING STATIONS
NUCLEAR GENERATING STATIONS

SAN DIEGO GAS & ELECTRIC COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT
FOR SAN ONOFRE
NUCLEAR GENERATING STATIONS

SAN DIEGO GAS & ELECTRIC COMPANY

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NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING

MASTER TRUST AGREEMENT

AGREEMENT made this 2nd day of December, 1987, by and between San Diego Gas & Electric Company, a California corporation ("Company"), and Harris Trust and Savings Bank, an Illinois banking corporation having trust powers ("Trustee").

WHEREAS, the Company is the owner of: (1) a 20 percent undivided interest in Unit One of the San Onofre Nuclear Generating Station ("SONGS Unit No. 1"); (2) a 20 percent undivided interest in Unit Two of the San Onofre Nuclear Generating Station ("SONGS Unit No. 2"); and (3) a 20 percent undivided interest in Unit Three of the San Onofre Nuclear Generating Station ("SONGS Unit No. 3"); and

WHEREAS, the Company is subject to regulation by the California Public Utilities Commission ("CPUC"), an agency of the State of California created and existing pursuant to California Constitution Article XII, § 1, and by the Nuclear Regulatory Commission ("NRC"), an agency of the United States government created and existing pursuant to 42 U.S.C. § 5841; and

WHEREAS, pursuant to Section 468A of the Internal Revenue Code of 1986, 26 U.S.C. § 1 et seq., certain Federal income tax benefits are available to the Company by creating and funding

qualified decommissioning funds associated with the San Onofre Nuclear Generating Station ("SONGS"); and

WHEREAS, the CPUC has permitted the Company to include in its cost of service for ratemaking purposes certain amounts to be contributed by the Company to qualified decommissioning funds in order to provide adequate monies for the Company's share of decommissioning costs with respect to SONGS:

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Company hereby agrees to deliver to the Trustee and the Trustee hereby agrees to receive the initial contribution of monies to the Master Trust on or before _____, 1987; and

TO HAVE AND HOLD, such monies and such additional monies as may from time to time be added thereto as provided herein, together with the proceeds and reinvestments thereof (hereinafter collectively called the "Master Trust") unto the Trustee;

IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms and conditions hereinafter set forth:

DEFINITIONS, PURPOSE, AND NAME

1.01 Definitions. As used in this Decommissioning Master Trust Agreement, the following terms shall have the following meanings:

- (1) "Act" shall mean the Uniform Principal and Income Act from time to time in effect in the State of California, and on the date hereof set forth in California Probate Code § 16300 et seq.
- (2) "Agreement" shall mean and include this Decommissioning Master Trust Agreement as the same may from time to time be amended, modified, or supplemented.
- (3) "Authorized Representative" shall mean, with respect to the Company, the Chief Executive Officer, President, Treasurer, or any Vice President of the Company; and with respect to the Committee, the members of the Committee, or any other person designated as an Authorized Representative of the Committee by a Certificate filed with the Trustee.
- (4) "Board of Directors" shall mean the Board of Directors of the Company, as duly elected from time to time.

- (5) "Certificate" or "Certification" shall mean a written Certificate signed by two Authorized Representatives of the Company for a Certificate of the Company, or two Authorized Representatives of the Committee for a Certificate of the Committee.
- (6) "Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.
- (7) "Committee" shall mean the Nuclear Facilities Decommissioning Master Trust Committee established pursuant to Article III.
- (8) "CPUC" shall mean the California Public Utilities Commission, as defined and set forth in Section I of Article XII of the California Constitution, or its successor.
- (9) "CPUC Order" shall mean an order or resolution issued by the CPUC after the Company, the Committee, the CPUC Staff, the Trustee, and other interested parties have been given notice and an opportunity to be heard. The order may be issued with or without hearing or by the CPUC Advice Letter procedure or comparable procedure.
- (10) "Decommissioning Contributions" shall mean all amounts for decommissioning expenses of the Plants reflected in the Company's adopted annualized cost of service in and

for the CPUC jurisdiction and contributed to the Funds for decommissioning expenses of the Plants.

- (11) "Decommissioning Costs" shall mean the costs incurred in decommissioning the Plants, to the extent that such costs may be paid out of the Funds pursuant to Section 468A of the Code, and any regulations or rulings of the Service issued thereunder.
- (12) "Disbursement Certificate" shall mean a document properly completed and executed by two Authorized Representatives of the Company and substantially in the form of Exhibit A hereto.
- (13) "Excess Contribution" shall have the meaning set forth in Section 2.03 hereof.
- (14) "Funds" shall mean the SONGS Unit No. 1 Qualified Fund, the SONGS Unit No. 2 Qualified Fund, and the SONGS Unit No. 3 Qualified Fund, collectively.
- (15) "Fund Account" shall mean a separate account established by this Agreement and maintained by the Trustee for each Fund to account for all Decommissioning Contributions (or other contributions as described in Section 2.02) made to each Fund, all income and other increments to each Fund and all disbursements from each Fund.

(16) "Final Disbursements" shall have the meaning set forth in Section 2.01(6) hereof.

(17) "Interim Disbursements" shall have the meaning set forth in Section 2.01(5) hereof.

(18) "Investment Manager(s)" shall mean the fiduciary specified in the Investment Manager Agreement(s):

(a) Which has been retained by the Committee to manage, acquire, or dispose of any asset belonging to the Master Trust; and

(b) Which is:

(i) registered as an investment adviser under the Investment Advisers Act of 1940, or

(ii) a bank, as defined in that Act, or

(iii) an insurance company qualified to perform services described in subsection (a) above, under the laws of more than one state, and

(c) Which has acknowledged, in writing, that it is a fiduciary with respect to the Master Trust, that it is qualified to act under subsection (b) above, and

has agreed to be bound by all of the terms, provisions, and covenants of this Agreement.

- (19) "Investment Manager Agreement(s)" shall mean the agreement(s) between the Committee and an investment manager(s) selected by the Committee which agreement governs the management of the assets of the Master Trust and is confirmed by the CPUC.
- (20) "Master Trust" shall consist of all contributions to any Fund together with investments and reinvestments thereof and any income earnings and appreciation thereon.
- (21) "Plants" shall mean the San Onofre Nuclear Generating Station Unit Nos. 1, 2 and 3, collectively.
- (22) "Ratepayers" shall mean those customers of the Company receiving electric service in accordance with CPUC approved tariff schedules.
- (23) "Schedule of Ruling Amounts" shall have the meaning set forth in Section 468A(d) of the Code.
- (24) "Service" shall mean the Internal Revenue Service.
- (25) "SONGS Unit No. 1" shall mean Unit One of the San Onofre Nuclear Generating Station.

- (26) "SONGS Unit No. 1 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning SONGS Unit No. 1 to which monies are contributed subject to the conditions and limitations of Section 468A of the Code.
- (27) "SONGS Unit No. 2" shall mean Unit Two of the San Onofre Nuclear Generating Station.
- (28) "SONGS Unit No. 2 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning SONGS Unit No. 2 to which monies are contributed subject to the conditions and limitations of Section 468A of the Code.
- (29) "SONGS Units No. 3" shall mean Unit Three of the San Onofre Nuclear Generating Station.
- (30) "SONGS Unit No. 3 Qualified Fund" shall mean the Fund established and maintained for decommissioning SONGS Unit No. 3 to which monies are contributed subject to the conditions and limitations of Section 468A of the Code.
- (31) "Trustee" shall have the meaning set forth in the first paragraph of this Agreement.
- (32) "Units" shall mean SONGS Unit No. 1, SONGS Unit No. 2,

and SONGS Unit No. 3, collectively.

(33) "Withdrawal Certificate" shall mean a document properly completed and executed by two Authorized Representatives of the Company and substantially in the form of Exhibit B hereto.

1.02 Authorization. The Trustee and the Company hereby represent and warrant that each has full legal authority and is duly empowered to enter into this Agreement, and has taken all action necessary to authorize the execution of this Agreement by the officers and persons signing it.

1.03 Master Trust Purpose. The exclusive purposes of this Master Trust are to provide monies for the decommissioning of the Plants; and to constitute qualified nuclear decommissioning funds for the Units within the meaning of Section 468A of the Code, any applicable successor provision and the regulations thereunder.

1.04 Establishment of Master Trust. By execution of this Agreement, the Company:

(a) establishes the Master Trust which shall consist of such Decommissioning Contributions (or other contributions as described in Section 2.02) as may be delivered to the Trustee by the Company for the Funds. The Master Trust also shall

include additional Decommissioning Contributions (or other contributions as described in Section 2.02), investments and reinvestments thereof, and earnings and appreciation thereon;

(b) establishes the Funds, each of which shall constitute a trust consisting of such Decommissioning Contributions (or other contributions as described in Section 2.02) as may be delivered to the Trustee by the Company designated for such Fund. Each Fund shall also include additional Decommissioning Contributions (or other contributions as described in Section 2.02) designated for such Fund, together with investments and reinvestments thereon; and

(c) appoints Harris Trust and Savings Bank as Trustee of the Master Trust and each of the Funds.

1.05 Name of Master Trust. The monies received by the Trustee from the Company (together with any additional monies contributed by the Company and the proceeds and reinvestments thereof) shall constitute the "San Diego Gas & Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust for San Onofre Nuclear Generating Stations."

II

DISPOSITIVE PROVISIONS

After payment of the expenses described in Section 6.01 hereof, the Trustee shall distribute the Master Trust as follows:

2.01 Payment of Nuclear Decommissioning Costs. The Trustee shall make payments of the Decommissioning Costs in accordance with the following procedures:

- (1) Authorized Representative. The Committee shall promptly notify the Trustee of the selection and appointment of any Authorized Representative of the Committee. The Trustee shall have no duty to inquire into or investigate the continued authority of such person to act as the Authorized Representative. The Committee shall provide the Trustee with written notice of the termination of any Authorized Representative's authority.

- (2) Disbursements to Third Parties. Requests for payments of Decommissioning Costs to any person (other than the Company) for goods provided or labor or other services rendered to the Company in connection with the decommissioning of the Plants shall be submitted to the Trustee on a Disbursement Certificate.

(3) Reimbursement to the Company. Requests for payments to the Company in reimbursement of Decommissioning Costs actually incurred by the Company and paid by the Company to any other person shall be submitted to the Trustee on a Withdrawal Certificate.

(4) Payment of Decommissioning Costs. The Trustee shall pay Decommissioning Costs when a Disbursement Certificate or Withdrawal Certificate is filed with the Trustee, showing with respect to each withdrawal of money:

(a) the name and address of the person or entity to whom payment is due (which may be the Company);

(b) the amount of money to be paid;

(c) the purpose for which the obligation to be paid was incurred; and

(d) a CPUC Order authorizing either Interim Disbursements or Final Disbursements. A copy of such order shall accompany the Disbursement Certificate or Withdrawal Certificate.

Each Disbursement Certificate or Withdrawal Certificate must certify that the expenses to be paid constitute

Decommissioning Costs and shall provide satisfactory evidence to the Trustee of same.

(5) Interim Disbursements. The estimated costs and schedule for decommissioning each of the Plants shall be reviewed periodically and updated when the revenue requirement for decommissioning is reviewed by the CPUC in the Company's general rate cases. Two years prior to the time decommissioning of a Plant or Plants is estimated to begin, the Company shall apply for CPUC approval of the estimated cost and schedule for decommissioning each Plant. Upon the occurrence of changed circumstances, the Company may apply to the CPUC for amendments to the estimated cost and schedule for decommissioning each plant. Upon approval of the cost and schedule for decommissioning each Plant or Plants, the CPUC shall authorize Interim Disbursements from the applicable Fund to pay Decommissioning Costs. Interim Disbursements shall be limited to 90% of the forecast of Decommissioning Costs approved by the CPUC. Final payment from the applicable Fund for all Decommissioning costs shall be made pursuant to Section 2.01(6).

(6) Final Disbursements. The Company shall apply for and acquire CPUC approval of the estimated final cost for decommissioning each Plant or Plants. Such application shall be made one year in advance of the time the Company

estimates use of funds exceeding 90% of the forecast of Decommissioning Costs approved by the CPUC will be required. Upon approval of the final cost of decommissioning each Plant, the CPUC shall authorize Final Disbursements from the applicable Fund to pay Decommissioning Costs. The Trustee shall make a Final Disbursement when a CPUC Order and a Disbursement Certificate or Withdrawal Certificate is filed with the Trustee to show:

- (a) the name and address of the person or entity to whom payment is due, including reimbursement to the Company;
- (b) the amount of money to be paid; and
- (c) the purpose for which the obligation to be paid was incurred.

2.02 Additions to Master Trust. From time to time after the initial contribution to the Master Trust and prior to the termination of this Trust, the Company may make, and the Trustee shall accept, additional contributions of money to the Master Trust to satisfy the purpose of this Master Trust as set forth in Section 1.03, which contributions may be made to the applicable Fund Account(s).

2.03 Adjustments for Excess Contributions. The Trustee and the Company understand and agree that the contributions made by the Company to any of the Funds from time to time may exceed the amount permitted to be paid into such fund(s) pursuant to Section 468A of the Code and any regulations thereunder based upon changes in estimates, subsequent developments, or any other event or occurrence which could not reasonably have been foreseen by the Company at the time such contribution was made (Excess Contribution). Upon Certification of the Company, setting forth the amount of the Excess Contribution, the amount of any Excess Contribution (together with any income accrued thereon) shall be paid to the person or persons specified by the Company in a Certification to the Trustee.

2.04 No Transfers Between Fund Accounts. The Trustee and the Company further understand and agree that it is of the essence that no transfer of monies is to occur between Fund Accounts except when explicitly indicated by Certificate of the Company that such transfer is necessary to effectuate the purposes of this Master Trust and is not contrary to the requirements of Section 468A of the Code.

2.05 Designation of Funds. Upon: (a) the initial contribution to the Master Trust; (b) any withdrawal from the Master Trust for Decommissioning Costs pursuant to Section 2.01 or for administrative expense pursuant to Section 6.01; (c) any addition to the Master Trust pursuant to Section 2.02; or (d) any

adjustment to the Funds pursuant to Section 2.03, the Company shall designate, by Certificate, the appropriate Fund Account(s) which are to be credited or debited by such contribution, withdrawal, addition, or adjustment, and the Trustee shall credit or debit the appropriate Fund Account(s) in accordance with such designation.

2.06 Distribution of Income.

- (1) Generally. The Trustee shall not be precluded from pooling Decommissioning Contributions (or other contributions as described in Section 2.02) with respect to each of the Fund Accounts for investment purposes, and may treat each Fund Account's Decommissioning Contributions (or other contributions as described in Section 2.02) as having received or accrued a ratable portion of the Master Trust income in any year.
- (2) Principal and Income. All questions relating to the ascertainment of income and principal and the allocation of receipts and disbursements between income and principal shall be resolved by the Trustee in accordance with the terms of the Act.
- (3) Income on Current Collections. As of the end of each accounting period of the Trust, the income of the Master

Trust shall, for purposes of all subsequent accounting periods, be treated as Master Trust principal.

2.07 No Transferability of Interest in Trust. The interest of the Company in the Master Trust is not transferable by the Company, whether voluntarily or involuntarily, nor subject to the claims of creditors of the Company, provided, however, that any creditor of the Company as to which a Disbursement Certificate has been properly completed and submitted to the Trustee may assert a claim directly against the Master Trust in an amount not to exceed the amount specified on such Disbursement Certificate. Nothing herein shall be construed to prohibit a transfer of the Company's interest in the Master Trust upon sale of all or part of the Company's ownership interest in any Plant or Plants; provided, however, that any such transfer shall be subject to the prior approval of the CPUC.

2.08 Resolution of Disagreements. If any disagreement arises between the Company, the Committee, and/or the CPUC Staff regarding the Master Trust, the disagreement shall be submitted to the CPUC for resolution by issuance of a CPUC Order after notice and an opportunity to be heard, as provided in the California Public Utilities Code, has been given to the Company, the Committee, the CPUC Staff, the Trustee, and any interested parties. The CPUC, on its own motion, may raise and consider any issue with regard to the Master Trust, and any such issue raised on the CPUC's own motion shall be

resolved as provided above. Pending resolution of the disagreement, the Trustee shall act in accordance with the Committee's direction. Nothing in this Agreement shall be construed to limit the rights of the Company, the Committee, the CPUC Staff, the Trustee or any other interested party under the California Public Utilities Code or the California Constitution or other applicable laws or regulations.

2.09 Termination of Master Trust. This Master Trust shall be irrevocable and will terminate (in whole or in part) upon the earlier of:

- (1) Receipt by the Trustee of a Certificate from the Committee stating that substantial completion of the nuclear decommissioning of the Plants has occurred (as defined in Treasury Regulations promulgated under Code Section 468A);
- (2) The twentieth anniversary of the date of the death of the survivor from among a class consisting of all of the descendants of John D. Rockefeller, late of New York, New York, born on or prior to January 1, 1987; or
- (3) At such earlier time as the CPUC may order the Committee to terminate all or a portion of this Master Trust.

2.10 Termination of Funds of Master Trust. One or more of the Funds shall terminate upon the earlier of:

(1) Its disqualification from the application of Section 468A of the Code, whether pursuant to an administrative action on the part of the Service or the decision of any court of competent jurisdiction, but in no event earlier than the date on which all available appeals have been either prosecuted or abandoned and the period of time for making any further appeals has elapsed; or

(2) The disposition by the Company of any interest in the Plants, to the extent provided in regulations by the Service promulgated under Code Section 468A.

2.11 Distribution of Master Trust Upon Termination. Upon termination of this Master Trust or of any one or more of the Fund(s), the Trustee shall assist the Investment Manager in liquidating the assets of the Master Trust, or Fund(s), and thereupon distributing the then-existing assets of the Master Trust, or Fund(s) (including accrued, accumulated, and undistributed net income) less final Master Trust administrative expense (including accrued taxes) to the Company; provided, however, that no such distribution shall be made unless the Committee provides a Certificate to the Trustee stating that a CPUC Order has been issued which specifically authorizes such payment to the Company for

distribution to the Company's then current Ratepayers, or as otherwise provided in the order. In the event the Funds are no longer needed for Decommissioning Costs and/or Master Trust administration expenses, they shall be returned to Ratepayers in a manner to be prescribed in an Order of the CPUC. In the event the CPUC or a successor no longer exists, the Trustee shall make such distribution to the Company upon receipt of an opinion of legal counsel to the Company accompanying a Certificate of the Company stating that no CPUC Order is necessary to authorize such distribution.

2.12 Alterations and Amendments. The Trustee and the Company understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purposes of this Trust.

The CPUC by Order may direct the Company to amend, in whole or in part, any or all of the provisions of this Agreement; provided that the CPUC shall not cause the Company to amend this Agreement if such action would defeat the purpose of the Master Trust or the Company's right to elect a current income tax deduction under Code Section 468A and the regulations promulgated thereunder. The Committee may also amend this Agreement thirty days after filing a copy of the proposed amendment with the CPUC. No proposed amendment may be made if written objections to the proposed amendment are filed within the thirty-day period. Any party making written objections to

a proposed amendment shall serve the written objections with a certificate of service on the Company, the Committee, the Trustee, and the CPUC Staff on the same day the written objections are filed with the CPUC. Any written objections which cannot be settled shall be resolved in accordance with Section 2.08. Proposed amendments filed with the CPUC shall include in the transmittal letter a reference to the foregoing procedure for making written objection to such proposed amendments. Notwithstanding anything herein to the contrary, no amendment which affects the specific rights, duties, responsibilities, or liabilities of the Trustee, shall be made without its consent and no amendment shall be effective prior to the Trustee receiving reasonable notice thereof.

2.13 No Authority to Conduct Business. The purpose of this Master Trust is limited to the matters set forth in Section 1.03 above, specifically, and there is no objective to carry on any business unrelated to the Master Trust purposes set forth in Section 1.03 hereof, or divide the gains therefrom.

III

THE COMMITTEE

3.01 Members. The Committee shall consist of five (5) members. The members shall be nominated by the management of the Company, and their nomination shall be confirmed by the Board of Directors of the Company. No more than two (2) of the members of the Committee shall be employees, officers, or directors of the Company, or otherwise be agents of the Company in any capacity except as members of the Committee. The names of the nominees shall be furnished to the CPUC in writing within ten (10) days of their nomination. The Company shall furnish the CPUC with a resume of their background and qualifications. The three (3) nominees who are not affiliated with the Company shall be confirmed by the CPUC within 60 days of their submittal. For these three nominees, the Company shall furnish to the CPUC a statement in writing affirming that such nominees are not employees, officers, directors, or otherwise agents of the Company and providing sufficient additional information to determine the existence of any conflict or potential conflict of interest. The three (3) nominees who are not affiliated with the Company shall furnish the CPUC with a declaration that the nominee has no financial or other interest that would conflict with the discharge of their responsibilities as Committee members. Ownership of minor amounts of the Company's stock, being a customer of the Company, or having routine business relationships such as

providing normal banking services shall not be regarded as creating such a conflict or an agency relationship.

If at any time and for any reason there are insufficient members of the Committee not affiliated with the Company to permit the Committee to obtain a quorum, the CPUC, at the request of the Company, may issue an order allowing the Committee to function for a limited period of time with more than two (2) members who are employees, officers and/or directors of the Company. Should the CPUC issue such an order, it shall prescribe in that order the limited period of time during which the Committee may be composed of more than two (2) members who are officers, employees and/or directors of the Company, and it shall prescribe a time by which the Company must submit the names of new nominees for confirmation by the CPUC. The Committee shall not function with more than two (2) members who are officers, employees and/or directors of the Company except upon such order of the CPUC, and then only within the period of time prescribed in the order of the CPUC.

3.02 Term. The term of each member shall be five (5) years; however, any member may be removed by the CPUC for reasonable cause at any time. The Company shall notify the Trustee and the Investment Manager(s) of all appointments and replacements of Committee members in writing signed by an Authorized Representative. Initial appointments of Committee members may

be for less than a five-year term in order to establish staggered membership terms among the members of the Committee.

3.03 Acts of Committee. Each member of the Committee shall have one vote and the Committee shall act by majority decision. It shall require a minimum of four (4) members of the Committee to constitute a quorum in order for the Committee to act. Votes of members of the Committee shall be recorded on all matters voted on or decided by the Committee. Full minutes of Committee meetings shall be maintained. The Committee shall be subject to the jurisdiction of the CPUC.

3.04 Duties of Committee. The Committee shall direct and manage the Master Trust and perform all duties attendant thereto, including the appointment of trustees and investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest such assets. The Committee may retain the services of such professional advisors, legal counsel, and administrative support as it deems necessary to carry out its responsibilities hereunder. The reasonable fees and/or compensation of any such assistance the Committee may desire to retain shall be regarded as appropriate Master Trust administration expenses.

3.05 Committee Reports. The Committee shall evaluate the performance of the Trustee and Investment Manager(s) annually and submit a written report to the CPUC. The report shall be

confidential and submitted to the CPUC by the Company under the provisions of Section 583 of the Public Utilities Code or any applicable successor provision. The report shall include, at a minimum:

- (a) A finding, with supporting analysis, as to whether the current Trustee and Investment Manager(s) should be retained or replaced;
- (b) In the case where more than one investment manager is used, a justification therefor;
- (c) The voting record of the Committee members and the minutes of all Committee meetings; and
- (d) An itemized accounting of the Master Trust administration expenses and the basis therefor.

At least once every three years the Committee shall evaluate potential substitute trustees and investment managers and submit a report thereon to the CPUC. The report shall be confidential and submitted to the CPUC by the Company under the provisions of Section 583 of the Public Utilities Code or any applicable successor provision. This report may be combined with the annual report described above, and shall include, at a minimum:

- (a) A description of the Committee's attempts to solicit proposals from other firms which can perform the trust and investment management duties;
- (b) An evaluation of at least three firms which could potentially replace the current Trustee and/or Investment Manager(s); and
- (c) A justification of the continued use of investment manager(s) on a retainer basis, as opposed to the Trustee's employment of an "in house" investment advisor.

The Committee shall not be required to solicit proposals to replace a Trustee(s) or Investment Manager(s) who, in the judgment of the Committee, are performing adequately and have served as a Trustee and/or Investment Manager hereunder for less than three years.

3.06 Compensation. Each Committee member who is not an employee, officer, director, or otherwise an agent of the Company shall be entitled to reasonable fees and/or compensation for their services hereunder. At the time a nominee's name is furnished to the CPUC, the Company shall furnish to the CPUC a statement in writing setting forth all proposed fee and/or compensation arrangements with such nominee. The fee and/or compensation arrangements shall be subject to the approval of the CPUC. If the fee and/or compensation arrangements with any member

should be changed for any reason whatsoever, within ten (10) days of such change, the Company shall furnish to the CPUC a statement in writing fully describing the new fee and/or compensation arrangements, and such changes shall be subject to the approval of the CPUC. Each Committee member shall be reimbursed for all reasonable expenses incurred in connection with the performance of his duties under this Agreement. Fees and/or compensation paid to members of the Committee, reasonable expenses of the members of the Committee, including premiums for liability insurance if applicable, shall be regarded as appropriate Master Trust administration expenses.

3.07 Committee May Limit Trustee Actions. The Trustee shall not take any act or participate in any transaction which would violate the terms and conditions of any instructions provided by a Certificate of the Committee so long as the terms and conditions of the Certificate are consistent with this Agreement.

IV

TRUSTEES

4.01 Designation and Qualification of Successor Trustee(s). The Company by this Agreement has appointed the corporate fiduciary named herein having all requisite corporate power and authority to act as the sole original Trustee. The Trustee shall act in accordance with the directions provided to it by the Committee under the terms of this Agreement. At any time during the term of this Trust, the Committee shall have the right to remove the Trustee acting hereunder and appoint another qualified corporation as a Successor Trustee upon thirty (30) days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that the Trustee or any Successor Trustee shall:

- (a) become insolvent or admit in writing its insolvency;
- (b) be unable or admit in writing its inability to pay its debts as such debts mature;
- (c) make a general assignment for the benefit of creditors;
- (d) have an involuntary petition in bankruptcy filed against it;
- (e) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, statute, or proceeding;
- or (f) resign, the Trustee or Successor Trustee shall cease to act as a fiduciary of this Master Trust and the Committee shall appoint a Successor Trustee. In the event of any such removal or resignation, the Trustee or Successor Trustee shall have the right to have

its accounts settled as provided in Section 4.05 hereof. Any successor to the Committee, as provided herein, shall have the same right to remove and to appoint any Trustee or Successor Trustee.

Any Successor Trustee shall qualify by a duly acknowledged acceptance of this Trust, delivered to the Company, the Committee, and the CPUC. Upon acceptance of such appointment by the Successor Trustee, the Trustee shall assign, transfer and pay over to such Successor Trustee the monies and properties then constituting the Master Trust. Any Successor Trustee shall have all the rights, powers, duties and obligations herein granted to the original Trustee.

If for any reason the Committee cannot or does not act in the event of the resignation or removal of the Trustee, as provided above, the Trustee may apply to the CPUC for the appointment of a Successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be an expense of administration payable in accordance with Section 6.01 hereof.

4.02 Resignation. The Trustee or any Successor Trustee hereof may resign and be relieved as Trustee at any time without prior application to or approval by or order of the CPUC or of any court by a duly acknowledged instrument, which shall be delivered to the Company and the Committee by the Trustee not

less than sixty (60) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Company and the Committee.

4.03 Compensation. The Trustee shall be entitled to compensation from the Master Trust as shown on Exhibit C.

This fee schedule is effective for the first six years from the date assets are initially contributed to the Company's nuclear decommissioning Master Trust. Nothing herein shall preclude renegotiation of the foregoing fee schedule due to significantly changed circumstances, provided, however, that any change in the fee schedule shall require the approval of the CPUC prior to becoming effective.

Whenever the Trustee exercises its investment discretion as provided in Article VII, it shall be entitled to compensation from the Master Trust as shown on Exhibit D.

This fee schedule shall be effective through 1995 for all assets placed under the Trustee's investment discretion prior to January 1, 1990. The fee schedule for assets placed under the Trustee's investment discretion on or after January 1, 1990 shall be subject to renegotiation. The renegotiated fee schedule shall require the approval of the CPUC prior to becoming effective.

4.04 Establish Fund Accounts. The Trustee shall maintain separate Fund Accounts for each Fund established by this Agreement to account for Decommissioning Contributions (or other contributions as described in Section 2.02) contributed to each Fund, and all income and other increments to each Fund, and disbursements from each Fund subject to the provisions of Section 2.05 above.

4.05 Accounts. The Trustee shall present financial statements to the Company and the Committee on a quarterly basis (within forty-five (45) days following the close of each quarter), or at such other frequency as the Committee shall from time to time require. The financial statements shall show the financial condition of the Master Trust, including, without limitation, income and expenses of the Master Trust for the period. The Trustee shall assume responsibility for employing independent certified public accountants to audit the financial statements not less frequently than annually, subject to the provisions contained in Section 6.05. The Company and the Committee shall have the right to object to any of the Trustee's audited financial statements. If either the Company or the Committee desires to object to the Trustee's audited financial statements it shall deliver notice of its objection to the Trustee in writing within three years from the day the Trustee shall mail or deliver such audited financial statements to the Company and the Committee. If no written objection is made within that time, the presentation

of the audited financial statements to the Company and the Committee shall release and discharge the Trustee with respect to all acts or omissions to the date of said audited financial statements; provided, however, that nothing contained herein shall be deemed to relieve the Trustee of any liability which may be imposed pursuant to Section 4.07 hereof.

4.06 Tax Returns and Other Reports. The Trustee, the Committee, and the Company shall cooperate in the preparation of income or franchise tax returns or other reports as may be required from time to time and, subject to the limitations contained in Section 6.05, may employ independent certified public accountants or other tax counsel to prepare or review such returns and reports. The Trustee shall present to the Company and the Committee on a monthly basis a report setting forth all investments purchased by the Investment Manager(s) during the previous month. The Trustee shall advise the Company and the Committee if any of the investments, in the Trustee's opinion, may constitute a violation of the restrictions on investment of trust assets outlined in Code Section 501(c)(21), or successor provision, as applicable to the Master Trust.

4.07 Liability. The Trustee shall be liable for the acts, omissions or defaults of its own officers and employees. The Trustee shall not be liable for the acts, omissions or defaults of its agents, provided any such agents were selected with reasonable care and the performance and status of the

agent is monitored with reasonable care throughout the duration of the agency relationship. The Trustee shall not be liable for the failure or default of any bank or depository, provided any such bank or depository was selected with reasonable care and its performance and status is monitored with reasonable care. Except where the Trustee exercises its investment discretion as provided in this Agreement, the Trustee shall not be liable for the acts or omissions of any Investment Manager(s) acting hereunder. Except as provided in Section 4.05, the Trustee shall not be liable in regard to the exercise or nonexercise of any powers and discretions properly delegated pursuant to the provisions of this Agreement.

Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for (a) any tax imposed pursuant to Section 4951 of the Code (or any applicable successor provision) as such section is made applicable to the Master Trust or the Trustee, and/or (b) any consequences flowing from violation of the restrictions on the investment of trust assets outlined in Code Section 501(c)(21) (or applicable successor Code sections) where the act giving rise to the imposition of any tax pursuant to Section 4951 of the Code or the decision to invest trust assets in investments not meeting the restrictions outlined in Code Section 501(c)(21) was made by or was in the power and control of the Trustee as provided in this Agreement.

Pursuant to Section 6.08 of this Agreement, the Trustee is prohibited from doing any act or knowingly engaging in any transaction that would violate the terms and conditions of any instructions provided by written Certificate of the Committee, or contravening any provision of this Agreement. Upon receipt of a Certificate of the Committee giving the Trustee notice of either (a) instructions of the Committee to the Trustee, or (b) acts or transactions the Committee believes constitute a violation by the Trustee of the provisions of this Agreement, the Trustee shall follow the instructions of the Committee, and/or cease and desist from the acts identified in the Certificate as violating the provisions of this Agreement. To the extent the Trustee fails to follow the instructions of the Committee, or continues with any act identified in the Certificate as violating the provisions of this Agreement, from the date of receipt of the Certificate providing the instructions and/or notice of violation of the provisions of this Agreement, the Trustee (and not the Master Trust) shall be liable for all consequences flowing from any failure to follow the Committee's instructions, and/or flowing from any violation by the Trustee of the provisions of this Agreement. Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for all consequences flowing from any violation by the Trustee of the provisions of this Agreement, regardless of whether notice thereof was provided by the Committee.

4.08 Indemnity of Trustee. The Trustee shall be held harmless from any and all liability in acting in accordance with a proper Certificate or Certification of the Company or the Committee.

INVESTMENTS

5.01 Appointment of Investment Manager(s). The Committee may appoint one or more Investment Managers to direct the investment of all or part of the Master Trust. The Committee shall also have the right to remove any such Investment Manager. The appointment of the Investment Manager(s) shall be made in accordance with any procedures specified by the Committee. The Committee shall provide notice of any such appointment by Certification to the Trustee which shall specify the portion of the Master Trust with respect to which the Investment Manager(s) has been designated. The Investment Manager(s) shall certify in writing to the Trustee that it is qualified to act in the capacity provided under the Investment Manager Agreement, shall accept its appointment as such Investment Manager(s), shall certify the identity of the person or persons authorized to give instructions or directions to the Trustee on its behalf, including specimen signatures, and shall undertake to perform the duties imposed on it under the Investment Manager Agreement. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by the Committee or the Investment Manager(s), as the case may be.

5.02 Direction by Investment Manager(s). Notwithstanding Section 7.04, the Investment Manager(s) designated by the Committee to manage any portion of the Master Trust shall have authority to manage, acquire, and dispose of the assets of the Master Trust, or a portion thereof as the case may be. The Investment Manager(s) is authorized to invest in the securities specified in Section 7.02. The Investment Manager(s) shall have the power and authority, exercisable in its sole discretion at any time, and from time to time, to issue and place orders for the purchase or sale of portfolio securities directly with qualified brokers or dealers. The Trustee, upon proper notification from an Investment Manager, shall execute and deliver in accordance with the appropriate trading authorizations. Written notification of the issuance of each such authorization shall be given promptly to the Trustee by the Investment Manager(s), and the Investment Manager(s) shall cause the execution of such order to be confirmed in writing to the Trustee by the broker or dealer. Such notification shall be proper authority for the Trustee to pay for portfolio securities purchased against receipt thereof and to deliver portfolio securities sold against payment therefor, as the case may be.

The authority of the Investment Manager(s) and the terms and conditions of the appointment and retention of the Investment Manager(s) shall be the responsibility solely of the Committee, and the Trustee shall not be deemed to be a party to or

to have any obligations under any agreement with the Investment Manager(s). Any duty of supervision or review of the acts, omissions or overall performance of the Investment Manager(s), shall be the exclusive responsibility of the Committee, and, except as provided in Section 4.06, the Trustee shall have no duty to review any securities or other assets purchased by the Investment Manager(s) or to the Committee with respect to the exercise or nonexercise of any power by the Investment Manager(s).

Unless the Trustee participates knowingly in, or knowingly undertakes to conceal an act or omission of an Investment Manager(s) knowing such act or omission to be a breach of the fiduciary responsibility of the Investment Manager(s), the Trustee shall be under no liability for any loss of any kind which may result by reason of any action taken by it in accordance with any direction of the Investment Manager(s). In any event, the Trustee shall be under no liability for any loss of any kind by reason of changes in value of the investments purchased, sold, or retained by the Investment Manager(s), nor for the risk or diversification of the portfolio, nor for the turnover of the investments, nor for any other aspect of a portfolio for which an Investment Manager(s) has been appointed.

VI

TRUSTEE'S GENERAL POWERS

The Trustee shall have, with respect to the Master Trust, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of this Master Trust and the beneficiaries thereof, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine and, which, except as otherwise provided, are intended in no way to limit the powers of the office, namely:

6.01 Payment of Expenses of Administration. To pay all ordinary and necessary expenses and other incidental costs including, but not limited to, Investment Manager(s) fees and Committee member(s) fees, the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by the Committee as provided in Section 3.04, expenses and insurance policy premiums as provided in Section 3.06 incurred in connection with this Master Trust or the Master Trust in the discharge of the Trustee's fiduciary obligations under this Agreement, but only to the extent that such amount may be incurred and paid from the Master Trust without causing the Funds to become disqualified from the application of Section 468A of the Code or any applicable successor provisions.

- 6.02 Extension of Obligations and Negotiation of Claims. To renew or extend the time of payment of any obligation, secured or unsecured, payable to or by this Trust, for as long a period or periods of time and on such terms as the Trustee shall determine, and to adjust, settle, compromise, and arbitrate claims or demands in favor of or against this Trust, including claims for taxes, upon such terms as the Trustee may deem advisable, subject to the limitations contained in Section 7.03 (regarding self-dealing), and the procedures contained in Section 2.01.
- 6.03 Registration of Securities. To hold any stocks, bonds, securities, and/or other property in the name of a nominee, in a street name, or by other title-holding device, without indication of trust.
- 6.04 Location of Assets. To keep any property belonging to the Master Trust at any place in the United States.
- 6.05 Retention of Professional Services. To execute any of the powers hereof and perform the duties required of it hereunder by or through its employees, agents, attorneys, or receivers.
- 6.06 Delegation of Ministerial Powers. To delegate to other persons such ministerial powers and duties as the Trustee may deem to be advisable.

6.07 Powers of Trustee to Continue Until Final Distribution. To exercise any of such powers after the date on which the principal and income of the Master Trust shall have become distributable and until such time as the entire principal of, and income from, the Master Trust shall have been actually distributed by the Trustee. It is intended that distribution of the Master Trust will occur as soon as possible upon termination of the Trust, subject, however, to the limitations contained in Sections 2.09, 2.10, 2.11 hereof.

6.08 Discretion in Exercise of Powers. To do any and all other acts which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Master Trust Agreement, provided, however, that the Trustee may not do any act or knowingly engage in any transaction which would:

- (1) Disqualify the Funds from the application of Section 468A (or any applicable successor provision) of the Code;
- (2) Contravene any provision of this Agreement; or
- (3) Violate the terms and conditions of any instructions provided by written Certificate by the Committee.

VII

TRUSTEE'S INVESTMENT POWERS

The Trustee recognizes the authority of the Investment Manager(s) to manage, invest, and reinvest the assets of the Master Trust pursuant to the Investment Manager Agreement and as provided in Section 5.02 of this Agreement, and the Trustee agrees to cooperate with the Investment Manager(s) as deemed necessary to accomplish these tasks. Notwithstanding the foregoing, the Trustee shall without the written authorization of the Committee invest cash balances in an investment account on a daily basis to the extent reasonable, and shall upon the written authorization of the Committee from time to time, the Trustee shall have the following investment powers, all of which are fiduciary powers to be executed in a fiduciary capacity and in the best interest of this Master Trust and the beneficiaries thereof, and which are to be exercised by the Trustee, acting in such fiduciary capacity, in its discretion, shall determine and, except as otherwise provided, which are intended in no way to limit the powers of the office, namely:

7.01 Preservation of Principal. The Trustee in its exercise of investment discretion as authorized by the Committee shall hold, manage, and invest the assets of this Master Trust in a manner designed to maximize and preserve the income and principal of this Master Trust for the purposes of this Trust, except as provided in Sections 7.02 and 7.03;

7.02 Investment of Funds. To invest and reinvest all or part of the Funds, and to keep all liquid assets fully invested on a daily basis to the extent reasonable including any undistributed income therefrom; provided, however, that no such investment or reinvestment of the Funds may be made by the Trustee:

- (1) Unless such investment is permitted to be made by Code Sections 501(c)(21)(B)(ii) and 468A(e)(4)(C), the regulations thereunder, and any applicable successor provisions; or
- (2) Which would contravene any instructions issued by the Committee.

In all cases, however, the total investments by the Trustee must be sufficiently liquid to enable the Master Trust to fulfill the purposes of the Master Trust and to satisfy obligations as such obligations become due. Nothing in this Section 7.02 shall be construed as authorizing the Trustee to carry on any business or to divide the gains therefrom.

7.03 Management of Master Trust. To sell, exchange, partition, or otherwise dispose of all or any part of the Master Trust at public or private sale, without prior application to, or approval by, or order of any court, upon such terms and in such manner and at such prices as the Trustee shall determine;

to modify, renew or extend bonds, notes or other obligations or any installment of principal thereof or any interest due thereon and to waive any defaults in the performance of the terms and conditions thereof; and to execute and deliver any and all bills of sale, assignments, bonds or other instruments in connection with these powers, all at such times, in such manner and upon such terms and conditions as the Trustee may deem expedient to accomplish the purposes of this Master Trust as set forth in Section 1.03.

Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not authorize or carry out (a) any sale, exchange or other transaction which would constitute an act of "self-dealing" within the meaning of Section 4951 of the Code, as such section is made applicable to the Funds by Section 468A(e)(5) of the Code, any regulations thereunder, and any applicable successor provision, or (b) any investment which would violate the restrictions on investment of trust assets outlined in Code Section 501(c)(21) and any applicable successor provision.

7.04 Disposition of Investments. When required to make any payments under Sections 2.01 or 6.01 hereof, the Trustee shall sell investments at the best price reasonably obtainable, or present investments for prepayment, but only upon written direction from the Committee. The Trustee shall have no liability, except for its own negligence or willful

misconduct, with respect to any sale or prepayment of an investment directed by the Committee or an Investment Manager or made by an Investment Manager through a broker-dealer.

VIII

MISCELLANEOUS

8.01 Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.

8.02 Particular Words. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine, or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, trust, company, or corporation.

8.03 Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Company, the Committee, the Trustee and the CPUC any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation contained herein. The Company shall be entitled to receive payments for Decommissioning Costs and administrative expenses of the Master Trust which the Company may incur in carrying out the purpose set forth in Section 1.03 of this Agreement. It is intended by all parties hereto that the Company's Ratepayers, who shall be

represented solely by the CPUC, be the ultimate beneficiary of this Agreement in that the decommissioning activities contemplated by this Agreement, which are to be performed by the Company, will inure to the benefit of the Company's Ratepayers and the General Public.

8.04 Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other than those as to which it is invalid or unenforceable and the other provisions of this Agreement, shall not be affected by such invalidity or unenforceability.

8.05 Form and Content of Communications. The names of any person authorized to act on behalf of the Company and/or the Committee shall be certified, with the specimen signature of such person, to the Trustee by the Company and the Committee. Until appropriate written evidence to the contrary is received by the Trustee, it shall be fully protected in relying upon or acting in accordance with any written notice, instruction, direction, certificate, resolution, or other communication believed by it to be genuine and to be signed and/or certified by any proper person, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement contained therein. Until notified in writing to the contrary, the Trustee shall have the right

to assume that there has been no change in the identity or authority of any person previously certified to it hereunder.

8.06 Delivery of Notices Under Agreement. Any notice required by this Agreement to be given to the Company or the Trustee shall be deemed to have been properly given when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to the Company:

SAN DIEGO GAS & ELECTRIC COMPANY
P. O. Box 1831
101 Ash Street
San Diego, California 92112

Attention: Nuclear Facilities Decommissioning Trust Committee

If to the Trustee:

Attention: _____

If to the CPUC:

California Public Utilities Commission
505 Van Ness Avenue, Room 5025
San Francisco, California 94102

Attention: Executive Director

If to the CPUC Staff:

California Public Utilities Commission
505 Van Ness Avenue, Room _____
San Francisco, California 94102

Attention: Director of the Commission's
Evaluation and Compliance Division
(or its successor division)

The Company or the Trustee may change that address by delivering notice thereof in writing to the other party.

- 8.07 Successors and Assigns. Subject to the provisions of Sections 2.06 and 4.01, this Agreement shall be binding upon and inure to the benefit of the Company, the Trustee and their respective successors, assigns, personal representatives, executors and heirs.
- 8.08 Governing Jurisdiction. This Master Trust is a California trust and all questions pertaining to its validity, construction, and administration shall be determined in accordance with the laws of the State of California as if executed in and to be wholly performed within the State of California.
- 8.09 Accounting Year. The Master Trust shall operate on an accounting year which coincides with the calendar year, January 1 through December 31.
- 8.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

8.11 Disbursement/Withdrawal Certificate. No provision of this Agreement shall be construed or applied so as to require the preparation of a Disbursement Certificate or a Withdrawal Certificate to authorize the payment of compensation to the Trustee under Section 4.03 or of the expenses of administration under Section 6.01.

8.12 Approval. This agreement shall be effective when approved by the CPUC and signed by all parties.

IN WITNESS WHEREOF, the Company and the Trustee have set their hands and seals to this Agreement as of the day and year first above written.

CALIFORNIA PUBLIC UTILITIES
COMMISSION

By: [Signature]
Title: Executive Director

Attest: [Signature]
Title: Chief Accountant

SAN DIEGO GAS & ELECTRIC COMPANY

By: Marcel A. Kyd
Title: TREASURER

Attest: [Signature]
Title: SECRETARY

[TRUST COMPANY]

By: Kath A Freston
Title: TRUST OFFICER

Attest: Katherine M. Mahalik
Title: TRUST OFFICER

DISBURSEMENT CERTIFICATE

The undersigned, being Authorized Representatives of San Diego Gas & Electric Company ("Company"), a California corporation, and, in such capacity, being authorized and empowered to execute and deliver this certificate, hereby certifies to the Trustee of the San Diego Gas & Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust for San Onofre Nuclear Generating Stations, pursuant to Section 2.01 of that certain Master Trust Agreement, dated _____, 1987, between the Trustee and Company as follows:

- (1) there is due and owing to each payee ("Payees") [all]-or-[a portion of] the invoiced cost to the Company for goods or services provided in connection with the decommissioning of SONGS as evidenced by the Invoice Schedule (with supporting exhibits) attached as Exhibit 1 hereto;
- (2) all such amounts due and owing to the Payees constitute Decommissioning Costs; and
- (3) all conditions precedent to the making of this withdrawal and disbursement set forth in any agreement between such Payee and the Company have been fulfilled.

Accordingly, you are hereby authorized to withdraw \$ _____ from the [SONGS Unit No. 1/SONGS Unit No. 2/SONGS Unit No. 3] Qualified Fund of the Master Trust in order to permit payment of such sum to be made to Payees for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to such Payees in the following manner: [DESCRIBE: JOINT PAYEE CHECK, WIRE TRANSFER, ETC.] on or before _____, 19__.

Executed this _____ day of _____, 19__.

By: _____
Authorized Representative

WITHDRAWAL CERTIFICATE

The undersigned, Authorized Representatives of San Diego Gas & Electric Company ("Company"), a California corporation, and _____, a _____ corporation and, in such capacity, being duly authorized and empowered to execute and deliver this certificate, hereby certify to the Trustee of the San Diego Gas & Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust for San Onofre Nuclear Generating Stations, pursuant to Section 2.01 of that certain Master Trust Agreement, dated _____, 1987, as follows:

- (1) there is due and owing to the Company [all] or [a portion of] the invoiced cost to the Company for goods or services provided in connection with the decommissioning of SONGS as evidenced by the Invoice Schedule with supporting exhibits attached as Exhibit 1 hereto;
- (2) all such amounts have been paid by the Company and constitute Decommissioning Costs; and
- (3) all conditions precedent to the making of this withdrawal and disbursement and the payment by the Company of the Decommissioning Costs set forth in any agreement between such payee of the Company and the Company have been fulfilled.

Accordingly, you are hereby authorized to withdraw \$ _____ from the [SONGS Unit No. 1/SONGS Unit No. 2/SONGS Unit No. 3] Qualified Fund of the Master Trust in order to permit payment of such sum to be made to the Company for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to the Company in the following manner: [DESCRIBE: CHECK, WIRE, TRANSFER, ETC.] on or before _____, 19__.

By: _____
Authorized Representative

TRUSTEE FEE SCHEDULE

Base Fee: \$750 per investment manager account

Sub-Account Charge: \$200 per fund account

Transaction Charge: \$15 per transaction

Combined Asset Charge (applied to the total of all assets held by the Trustee in the Company's nuclear decommissioning trust):

20¢ per \$1,000 on the first \$50 million
12¢ per \$1,000 on the next \$150 million
7¢ per \$1,000 on the next \$100 million
5¢ per \$1,000 on the excess

INVESTMENT MANAGEMENT

FEE SCHEDULE

Combined Asset Charge (applied to the total market value of the assets placed under the Trustee's supervision for investment):

\$1.00 per \$1,000 on the first \$50 million
\$0.80 per \$1,000 on the next \$150 million
\$0.70 per \$1,000 on the excess

INVESTMENTS

5.01 Appointment of Investment Manager(s). The Committee may appoint one or more Investment Managers to direct the investment of all or part of the Master Trust. The Committee shall also have the right to remove any such Investment Manager. The appointment of the Investment Manager(s) shall be made in accordance with any procedures specified by the Committee. The Committee shall provide notice of any such appointment by Certification to the Trustee which shall specify the portion of the Master Trust with respect to which the Investment Manager(s) has been designated. The Investment Manager(s) shall certify in writing to the Trustee that it is qualified to act in the capacity provided under the Investment Manager Agreement, shall accept its appointment as such Investment Manager(s), shall certify the identity of the person or persons authorized to give instructions or directions to the Trustee on its behalf, including specimen signatures, and shall undertake to perform the duties imposed on it under the Investment Manager Agreement. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by the Committee or the Investment Manager(s), as the case may be.

5.02 Direction by Investment Manager(s). Notwithstanding Section 7.04, the Investment Manager(s) designated by the Committee to manage any portion of the Master Trust shall have authority to manage, acquire, and dispose of the assets of the Master Trust, or a portion thereof as the case may be. The Investment Manager(s) is authorized to invest in the securities specified in Section 7.02. The Investment Manager(s) shall have the power and authority, exercisable in its sole discretion at any time, and from time to time, to issue and place orders for the purchase or sale of portfolio securities directly with qualified brokers or dealers. The Trustee, upon proper notification from an Investment Manager, shall execute and deliver in accordance with the appropriate trading authorizations. Written notification of the issuance of each such authorization shall be given promptly to the Trustee by the Investment Manager(s), and the Investment Manager(s) shall cause the execution of such order to be confirmed in writing to the Trustee by the broker or dealer. Such notification shall be proper authority for the Trustee to pay for portfolio securities purchased against receipt thereof and to deliver portfolio securities sold against payment therefor, as the case may be.

The authority of the Investment Manager(s) and the terms and conditions of the appointment and retention of the Investment Manager(s) shall be the responsibility solely of the Committee, and the Trustee shall not be deemed to be a party to or

to have any obligations under any agreement with the Investment Manager(s). Any duty of supervision or review of the acts, omissions or overall performance of the Investment Manager(s), shall be the exclusive responsibility of the Committee, and, except as provided in Section 4.06, the Trustee shall have no duty to review any securities or other assets purchased by the Investment Manager(s) or to the Committee with respect to the exercise or nonexercise of any power by the Investment Manager(s).

Unless the Trustee participates knowingly in, or knowingly undertakes to conceal an act or omission of an Investment Manager(s) knowing such act or omission to be a breach of the fiduciary responsibility of the Investment Manager(s), the Trustee shall be under no liability for any loss of any kind which may result by reason of any action taken by it in accordance with any direction of the Investment Manager(s). In any event, the Trustee shall be under no liability for any loss of any kind by reason of changes in value of the investments purchased, sold, or retained by the Investment Manager(s), nor for the risk or diversification of the portfolio, nor for the turnover of the investments, nor for any other aspect of a portfolio for which an Investment Manager(s) has been appointed.

VI

TRUSTEE'S GENERAL POWERS

The Trustee shall have, with respect to the Master Trust, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of this Master Trust and the beneficiaries thereof, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine and, which, except as otherwise provided, are intended in no way to limit the powers of the office, namely:

6.01 Payment of Expenses of Administration. To pay all ordinary and necessary expenses and other incidental costs including, but not limited to, Investment Manager(s) fees and Committee member(s) fees, the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by the Committee as provided in Section 3.04, expenses and insurance policy premiums as provided in Section 3.06 incurred in connection with this Master Trust or the Master Trust in the discharge of the Trustee's fiduciary obligations under this Agreement.

6.02 Extension of Obligations and Negotiation of Claims. To renew or extend the time of payment of any obligation, secured or unsecured, payable to or by this Trust, for as long a period or periods of time and on such terms as the Trustee shall

determine, and to adjust, settle, compromise, and arbitrate claims or demands in favor of or against this Trust, including claims for taxes, upon such terms as the Trustee may deem advisable, subject to the limitations contained in Section 7.03 (regarding self-dealing), and the procedures contained in Section 2.01.

6.03 Registration of Securities. To hold any stocks, bonds, securities, and/or other property in the name of a nominee, in a street name, or by other title-holding device, without indication of trust.

6.04 Location of Assets. To keep any property belonging to the Master Trust at any place in the United States.

6.05 Retention of Professional Services. To execute any of the powers hereof and perform the duties required of it hereunder by or through its employees, agents, attorneys, or receivers.

6.06 Delegation of Ministerial Powers. To delegate to other persons such ministerial powers and duties as the Trustee may deem to be advisable.

6.07 Powers of Trustee to Continue Until Final Distribution. To exercise any of such powers after the date on which the principal and income of the Master Trust shall have become distributable and until such time as the entire principal of,

and income from, the Master Trust shall have been actually distributed by the Trustee. It is intended that distribution of the Master Trust will occur as soon as possible upon termination of the Trust, subject, however, to the limitations contained in Sections 2.09, 2.10, 2.11 hereof.

6.08 Discretion in Exercise of Powers. To do any and all other acts which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Master Trust Agreement, provided, however, that the Trustee may not do any act or knowingly engage in any transaction which would:

- (1) Contravene any provision of this Agreement; or
- (2) Violate the terms and conditions of any instructions provided by written Certificate by the Committee.

VII

TRUSTEE'S INVESTMENT POWERS

The Trustee recognizes the authority of the Investment Manager(s) to manage, invest, and reinvest the assets of the Master Trust pursuant to the Investment Manager Agreement and as provided in Section 5.02 of this Agreement, and the Trustee agrees to cooperate with the Investment Manager(s) as deemed necessary to accomplish these tasks. Notwithstanding the foregoing, the Trustee shall without the written authorization of the Committee invest cash balances in an investment account on a daily basis to the extent reasonable. Upon the written authorization of the Committee from time to time, the Trustee shall have the following investment powers, all of which are fiduciary powers to be executed in a fiduciary capacity and in the best interest of this Master Trust and the beneficiaries thereof, and which are to be exercised by the Trustee, in its discretion, acting in such fiduciary capacity:

7.01 Preservation of Principal. The Trustee in its exercise of investment discretion as authorized by the Committee shall hold, manage, and invest the assets of this Master Trust in a manner designed to maximize and preserve the income and principal of this Master Trust for the purposes of this Trust, except as provided in Sections 7.02 and 7.03;

7.02 Investment of Funds. To invest and reinvest all or part of the Funds, including any undistributed income therefrom, in:

- (1) Public debt securities of the United States, obligations of a state or local government that are not in default as to principal or interest, or time or demand deposits in a bank or insured credit union;
- (2) Guaranteed investment contracts, high quality corporate bonds and equity securities as established in written guidelines by the Committee, which shall be provided to the Trustee from time to time, and other securities guaranteed or secured by the U.S. Government; provided, however, that investments in high quality equity securities shall not exceed 60% of any funds fair market value; or
- (3) Such other investments authorized by the CPUC as the Committee so notifies the trustee by certification; or
- (4) An investment fund or any commingled or pooled funds whose underlying assets include the investments permitted in (1), (2), and (3) above; or

In all cases, however, the total investments by the Trustee must be sufficiently liquid to enable the Master Trust to fulfill the purposes of the Master Trust and to satisfy obligations as such obligations become due. Nothing in this Section 7.02 shall be construed as authorizing the Trustee to carry on any business or to divide the gains therefrom.

7.03 Management of Master Trust. To sell, exchange, partition, or otherwise dispose of all or any part of the Master Trust at public or private sale, without prior application to, or approval by, or order of any court, upon such terms and in such manner and at such prices as the Trustee shall determine; to modify, renew or extend bonds, notes or other obligations or any installment of principal thereof or any interest due thereon and to waive any defaults in the performance of the terms and conditions thereof; and to execute and deliver any and all bills of sale, assignments, bonds or other instruments in connection with these powers, all at such times, in such manner and upon such terms and conditions as the Trustee may deem expedient to accomplish the purposes of this Master Trust as set forth in Section 1.03.

Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not authorize or carry out any investment which would violate the investment restrictions on investment of trust assets as set forth in Section 7.02 herein.

7.04 Disposition of Investments. When required to make any payments under Sections 2.01 or 6.01 hereof, the Trustee shall sell investments at the best price reasonably obtainable, or present investments for prepayment, but only upon written direction from the Committee. The Trustee shall have no liability, except for its own negligence or willful

misconduct, with respect to any sale or prepayment of an investment directed by the Committee or an Investment Manager or made by an Investment Manager through a broker-dealer.

VIII

MISCELLANEOUS

8.01 Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.

8.02 Particular Words. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine, or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, trust, company, or corporation.

8.03 Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Company, the Committee, the Trustee and the CPUC any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation contained herein. The Company shall be entitled to receive payments for Decommissioning Costs and administrative expenses of the Master Trust which the Company may incur in carrying out the purpose set forth in Section 1.03 of this Agreement. It is intended by all parties hereto that the Company's Ratepayers, who shall be

represented solely by the CPUC, be the ultimate beneficiary of this Agreement in that the decommissioning activities contemplated by this Agreement, which are to be performed by the Company, will inure to the benefit of the Company's Ratepayers and the General Public.

8.04 Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other than those as to which it is invalid or unenforceable and the other provisions of this Agreement, shall not be affected by such invalidity or unenforceability.

8.05 Form and Content of Communications. The names of any person authorized to act on behalf of the Company and/or the Committee shall be certified, with the specimen signature of such person, to the Trustee by the Company and the Committee. Until appropriate written evidence to the contrary is received by the Trustee, it shall be fully protected in relying upon or acting in accordance with any written notice, instruction, direction, certificate, resolution, or other communication believed by it to be genuine and to be signed and/or certified by any proper person, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement contained therein. Until notified in writing to the contrary, the Trustee shall have the right

to assume that there has been no change in the identity or authority of any person previously certified to it hereunder.

8.06 Delivery of Notices Under Agreement. Any notice required by this Agreement to be given to the Company or the Trustee shall be deemed to have been properly given when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to the Company:

SAN DIEGO GAS & ELECTRIC COMPANY
P. O. Box 1831
101 Ash Street
San Diego, California 92112

Attention: Nuclear Facilities Decommissioning Trust Committee
c/o Manager - Financial Services

If to the Trustee:

Attention: _____

If to the CPUC:

California Public Utilities Commission
505 Van Ness Avenue, Room 5025
San Francisco, California 94102

Attention: Executive Director

If to the CPUC Staff:

California Public Utilities Commission
505 Van Ness Avenue, Room _____

San Francisco, California 94102

Attention: Director of the Commission's
Evaluation and Compliance Division
(or its successor division)

The Company or the Trustee may change that address by delivering notice thereof in writing to the other party.

8.07 Successors and Assigns. Subject to the provisions of Sections 2.06 and 4.01, this Agreement shall be binding upon and inure to the benefit of the Company, the Trustee and their respective successors, assigns, personal representatives, executors and heirs.

8.08 Governing Jurisdiction. This Master Trust is a California trust and all questions pertaining to its validity, construction, and administration shall be determined in accordance with the laws of the State of California as if executed in and to be wholly performed within the State of California.

8.09 Accounting Year. The Master Trust shall operate on an accounting year which coincides with the calendar year, January 1 through December 31.

8.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

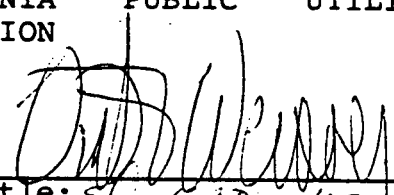
8.11 Disbursement/Withdrawal Certificate. No provision of this Agreement shall be construed or applied so as to require the preparation of a Disbursement Certificate or a Withdrawal Certificate to authorize the payment of compensation to the Trustee under Section 4.03 or of the expenses of administration under Section 6.01.

8.12 Approval. This agreement shall be effective when approved by the CPUC and signed by all parties.

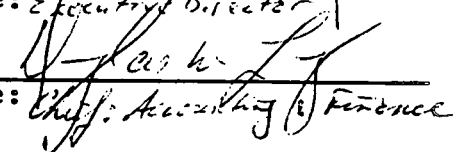
IN WITNESS WHEREOF, the Company and the Trustee have set their hands and seals to this Agreement as of the day and year first above written.

CALIFORNIA PUBLIC UTILITIES
COMMISSION

By:


Title: Executive Director

Attest:

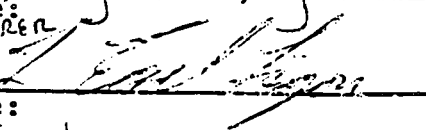

Title: Chief Accounting & Finance

SAN DIEGO GAS & ELECTRIC COMPANY

By:


Title: TREASURER

Attest:


Title: AssT. Secretary

[TRUST COMPANY]

By: Kath A Freytag
Title: TRUST OFFICER

Attest: Leberich M. Mahalik
Title: TRUST OFFICER

DISBURSEMENT CERTIFICATE

The undersigned, being Authorized Representatives of San Diego Gas & Electric Company ("Company"), a California corporation, and, in such capacity, being authorized and empowered to execute and deliver this certificate, hereby certifies to the Trustee of the San Diego Gas & Electric Company Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust for San Onofre Nuclear Generating Stations, pursuant to Section 2.01 of that certain Master Trust Agreement, dated _____, 1987, between the Trustee and Company as follows:

- (1) there is due and owing to each payee ("Payees") [all]-or-[a portion of] the invoiced cost to the Company for goods or services provided in connection with the decommissioning of SONGS as evidenced by the Invoice Schedule (with supporting exhibits) attached as Exhibit 1 hereto;
- (2) all such amounts due and owing to the Payees constitute Decommissioning Costs; and
- (3) all conditions precedent to the making of this withdrawal and disbursement set forth in any agreement between such Payee and the Company have been fulfilled.

Accordingly, you are hereby authorized to withdraw \$ _____ from the [SONGS Unit No. 1/SONGS Unit No. 2] Non-Qualified Fund of the Master Trust in order to permit payment of such sum to be made to Payees for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to such Payees in the following manner: [DESCRIBE: JOINT PAYEE CHECK, WIRE TRANSFER, ETC.] on or before _____, 19__.

Executed this _____ day of _____, 19__.

By:

Authorized Representative

WITHDRAWAL CERTIFICATE

The undersigned, Authorized Representatives of San Diego Gas & Electric Company ("Company"), a California corporation, and _____, a _____ corporation and, in such capacity, being duly authorized and empowered to execute and deliver this certificate, hereby certify to the Trustee of the San Diego Gas & Electric Company Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust for San Onofre Nuclear Generating Stations, pursuant to Section 2.01 of that certain Master Trust Agreement, dated _____, 1987, as follows:

- (1) there is due and owing to the Company [all] or [a portion of] the invoiced cost to the Company for goods or services provided in connection with the decommissioning of SONGS as evidenced by the Invoice Schedule with supporting exhibits attached as Exhibit 1 hereto;
- (2) all such amounts have been paid by the Company and constitute Decommissioning Costs; and
- (3) all conditions precedent to the making of this withdrawal and disbursement and the payment by the Company of the Decommissioning Costs set forth in any agreement between such payee of the Company and the Company have been fulfilled.

Accordingly, you are hereby authorized to withdraw \$ _____ from the [SONGS Unit No. 1/SONGS Unit No. 2/SONGS] Non-Qualified Fund of the Master Trust in order to permit payment of such sum to be made to the Company for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to the Company in the following manner: [DESCRIBE: CHECK, WIRE, TRANSFER, ETC.] on or before _____, 19__.

By: _____
Authorized Representative

TRUSTEE FEE SCHEDULE

Base Fee: \$750 per investment manager account

Sub-Account Charge: \$200 per fund account

Transaction Charge: \$15 per transaction

Combined Asset Charge (applied to the total of all assets held by the Trustee in the Company's nuclear decommissioning trust):

20¢ per \$1,000 on the first \$50 million
12¢ per \$1,000 on the next \$150 million
7¢ per \$1,000 on the next \$100 million
5¢ per \$1,000 on the excess

INVESTMENT MANAGEMENT

FEE SCHEDULE

Combined Asset Charge (applied to the total market value of the assets placed under the Trustee's supervision for investment):

\$1.00 per \$1,000 on the first \$50 million
\$0.80 per \$1,000 on the next \$150 million
\$0.70 per \$1,000 on the excess

ENCLOSURE 3.D
(SDG&E Encl. 2.B.i.b)
(Applicable to SONGS 1, 2, and 3)

**SAN DIEGO GAS & ELECTRIC COMPANY -
NUCLEAR FACILITIES NON-QUALIFIED CPUC DECOMMISSIONING MASTER
TRUST AGREEMENT FOR SAN ONOFRE NUCLEAR GENERATING STATIONS
NUCLEAR GENERATING STATIONS**

SAN DIEGO GAS & ELECTRIC COMPANY

NUCLEAR FACILITIES NON-QUALIFIED CPUC DECOMMISSIONING

MASTER TRUST AGREEMENT

FOR SAN ONOFRE

NUCLEAR GENERATING STATIONS

SAN DIEGO GAS & ELECTRIC COMPANY

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NUCLEAR FACILITIES NON-QUALIFIED CPUC DECOMMISSIONING

MASTER TRUST AGREEMENT

AGREEMENT made this 2nd day of December, 1987, by and between San Diego Gas & Electric Company, a California corporation ("Company"), and Harris Trust and Savings Bank, an Illinois banking corporation having trust powers ("Trustee").

WHEREAS, the Company is the owner of: (1) a 20 percent undivided interest in Unit One of the San Onofre Nuclear Generating Station ("SONGS Unit No. 1"); and (2) a 20 percent undivided interest in Unit Two of the San Onofre Nuclear Generating Station ("SONGS Unit No. 2"); and

WHEREAS, the Company is subject to regulation by the California Public Utilities Commission ("CPUC"), an agency of the State of California created and existing pursuant to California Constitution Article XII, § 1, and by the Nuclear Regulatory Commission ("NRC"), an agency of the United States government created and existing pursuant to 42 U.S.C. § 5841; and

WHEREAS, the CPUC has permitted the Company to include in its cost of service for ratemaking purposes certain amounts to be contributed by the Company to decommissioning funds in order to provide adequate monies for the Company's share of decommissioning costs with respect to SONGS:

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Company hereby agrees to deliver to the Trustee and the Trustee hereby agrees to receive the initial contribution of monies to the Master Trust on or before _____, 1987; and

TO HAVE AND HOLD, such monies and such additional monies as may from time to time be added thereto as provided herein, together with the proceeds and reinvestments thereof (hereinafter collectively called the "Master Trust") unto the Trustee;

IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms and conditions hereinafter set forth:

DEFINITIONS, PURPOSE, AND NAME

1.01 Definitions. As used in this Decommissioning Master Trust Agreement, the following terms shall have the following meanings:

- (1) "Act" shall mean the Uniform Principal and Income Act from time to time in effect in the State of California, and on the date hereof set forth in California Probate Code § 16300 et seq.
- (2) "Agreement" shall mean and include this Decommissioning Master Trust Agreement as the same may from time to time be amended, modified, or supplemented.
- (3) "Authorized Representative" shall mean, with respect to the Company, the Chief Executive Officer, President, Treasurer, or any Vice President of the Company; and with respect to the Committee, the members of the Committee, or any other person designated as an Authorized Representative of the Committee by a Certificate filed with the Trustee.
- (4) "Board of Directors" shall mean the Board of Directors of the Company, as duly elected from time to time.

- (5) "Certificate" or "Certification" shall mean a written Certificate signed by two Authorized Representatives of the Company for a Certificate of the Company, or two Authorized Representatives of the Committee for a Certificate of the Committee.
- (6) "Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.
- (7) "Committee" shall mean the Nuclear Facilities Decommissioning Master Trust Committee established pursuant to Article III.
- (8) "CPUC" shall mean the California Public Utilities Commission, as defined and set forth in Section I of Article XII of the California Constitution, or its successor.
- (9) "CPUC Order" shall mean an order or resolution issued by the CPUC after the Company, the Committee, the CPUC Staff, the Trustee, and other interested parties have been given notice and an opportunity to be heard. The order may be issued with or without hearing or by the CPUC Advice Letter procedure or comparable procedure.
- (10) "Decommissioning Contributions" shall mean all amounts for decommissioning expenses of the Plants reflected in the Company's adopted annualized cost of service in and

for the CPUC jurisdiction and contributed to the Funds for decommissioning expenses of the Plants.

- (11) "Decommissioning Costs" shall mean the costs incurred in decommissioning the Plants.
- (12) "Disbursement Certificate" shall mean a document properly completed and executed by two Authorized Representatives of the Company and substantially in the form of Exhibit A hereto.
- (13) "Funds" shall mean the SONGS Unit No. 1 Non-Qualified Fund and the SONGS Unit No. 2 Non-Qualified Fund, collectively.
- (14) "Fund Account" shall mean a separate account established by this Agreement and maintained by the Trustee for each Fund to account for all Decommissioning Contributions (or other contributions as described in Section 2.02) made to each Fund, all income and other increments to each Fund and all disbursements from each Fund.
- (15) "Final Disbursements" shall have the meaning set forth in Section 2.01(6) hereof.

(16) "Interim Disbursements" shall have the meaning set forth in Section 2.01(5) hereof.

(17) "Investment Manager(s)" shall mean the fiduciary specified in the Investment Manager Agreement(s):

(a) Which has been retained by the Committee to manage, acquire, or dispose of any asset belonging to the Master Trust; and

(b) Which is:

(i) registered as an investment adviser under the Investment Advisers Act of 1940, or

(ii) a bank, as defined in that Act, or

(iii) an insurance company qualified to perform services described in subsection (a) above, under the laws of more than one state, and

(c) Which has acknowledged, in writing, that it is a fiduciary with respect to the Master Trust, that it is qualified to act under subsection (b) above, and has agreed to be bound by all of the terms, provisions, and covenants of this Agreement.

- (18) "Investment Manager Agreement(s)" shall mean the agreement(s) between the Committee and an investment manager(s) selected by the Committee which agreement governs the management of the assets of the Master Trust and is confirmed by the CPUC.
- (19) "Master Trust" shall consist of all contributions to any Fund together with investments and reinvestments thereof and any income earnings and appreciation thereon.
- (20) "Plants" shall mean the San Onofre Nuclear Generating Station Unit Nos. 1 and 2, collectively.
- (21) "Ratepayers" shall mean those customers of the Company receiving electric service in accordance with CPUC approved tariff schedules.
- (22) "Service" shall mean the Internal Revenue Service.
- (23) "SONGS Unit No. 1" shall mean Unit One of the San Onofre Nuclear Generating Station.
- (24) "SONGS Unit No. 1 Non-Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning SONGS Unit No. 1 to which monies are contributed that are not subject to the conditions and limitations of Section 468A of the Code.

- (25) "SONGS Unit No. 2" shall mean Unit Two of the San Onofre Nuclear Generating Station.
- (26) "SONGS Unit No. 2 Non-Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning SONGS Unit No. 2 to which monies are contributed that are not subject to the conditions and limitations of Section 468A of the Code.
- (27) "Trustee" shall have the meaning set forth in the first paragraph of this Agreement.
- (28) "Units" shall mean SONGS Unit No. 1 and SONGS Unit No. 2, collectively.
- (29) "Withdrawal Certificate" shall mean a document properly completed and executed by two Authorized Representatives of the Company and substantially in the form of Exhibit B hereto.

1.02 Authorization. The Trustee and the Company hereby represent and warrant that each has full legal authority and is duly empowered to enter into this Agreement, and has taken all action necessary to authorize the execution of this Agreement by the officers and persons signing it.

1.03 Master Trust Purpose. The exclusive purposes of this Master

Trust are to provide monies for the decommissioning of the Plants.

1.04 Establishment of Master Trust. By execution of this Agreement, the Company:

(a) establishes the Master Trust which shall consist of such Decommissioning Contributions (or other contributions as described in Section 2.02) as may be delivered to the Trustee by the Company for the Funds. The Master Trust also shall include additional Decommissioning Contributions (or other contributions as described in Section 2.02), investments and reinvestments thereof, and earnings and appreciation thereon;

(b) establishes the Funds, each of which shall constitute a trust consisting of such Decommissioning Contributions (or other contributions as described in Section 2.02) as may be delivered to the Trustee by the Company designated for such Fund. Each Fund shall also include additional Decommissioning Contributions (or other contributions as described in Section 2.02) designated for such Fund, together with investments and reinvestments thereon; and

(c) appoints Harris Trust and Savings Bank as Trustee of the Master Trust and each of the Funds.

1.05 Name of Master Trust. The monies received by the Trustee from the Company (together with any additional monies contributed by the Company and the proceeds and reinvestments thereof) shall constitute the "San Diego Gas & Electric Company Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust for San Onofre Nuclear Generating Stations."

II

DISPOSITIVE PROVISIONS

After payment of the expenses described in Section 6.01 hereof, the Trustee shall distribute the Master Trust as follows:

2.01 Payment of Nuclear Decommissioning Costs. The Trustee shall make payments of the Decommissioning Costs in accordance with the following procedures:

- (1) Authorized Representative. The Committee shall promptly notify the Trustee of the selection and appointment of any Authorized Representative of the Committee. The Trustee shall have no duty to inquire into or investigate the continued authority of such person to act as the Authorized Representative. The Committee shall provide the Trustee with written notice of the termination of any Authorized Representative's authority.

- (2) Disbursements to Third Parties. Requests for payments of Decommissioning Costs to any person (other than the Company) for goods provided or labor or other services rendered to the Company in connection with the decommissioning of the Plants shall be submitted to the Trustee on a Disbursement Certificate.

(3) Reimbursement to the Company. Requests for payments to the Company in reimbursement of Decommissioning Costs actually incurred by the Company and paid by the Company to any other person shall be submitted to the Trustee on a Withdrawal Certificate.

(4) Payment of Decommissioning Costs. The Trustee shall pay Decommissioning Costs when a Disbursement Certificate or Withdrawal Certificate is filed with the Trustee, showing with respect to each withdrawal of money:

(a) the name and address of the person or entity to whom payment is due (which may be the Company);

(b) the amount of money to be paid;

(c) the purpose for which the obligation to be paid was incurred; and

(d) a CPUC Order authorizing either Interim Disbursements or Final Disbursements. A copy of such order shall accompany the Disbursement Certificate or Withdrawal Certificate.

Each Disbursement Certificate or Withdrawal Certificate must certify that the expenses to be paid constitute

Decommissioning Costs and shall provide satisfactory evidence to the Trustee of same.

(5) Interim Disbursements. The estimated costs and schedule for decommissioning each of the Plants shall be reviewed periodically and updated when the revenue requirement for decommissioning is reviewed by the CPUC in the Company's general rate cases. Two years prior to the time decommissioning of a Plant or Plants is estimated to begin, the Company shall apply for CPUC approval of the estimated cost and schedule for decommissioning each Plant. Upon the occurrence of changed circumstances, the Company may apply to the CPUC for amendments to the estimated cost and schedule for decommissioning each plant. Upon approval of the cost and schedule for decommissioning each Plant or Plants, the CPUC shall authorize Interim Disbursements from the applicable Fund to pay Decommissioning Costs. Interim Disbursements shall be limited to 90% of the forecast of Decommissioning Costs approved by the CPUC. Final payment from the applicable Fund for all Decommissioning costs shall be made pursuant to Section 2.01(6).

(6) Final Disbursements. The Company shall apply for and acquire CPUC approval of the estimated final cost for decommissioning each Plant or Plants. Such application shall be made one year in advance of the time the Company

estimates use of funds exceeding 90% of the forecast of Decommissioning Costs approved by the CPUC will be required. Upon approval of the final cost of decommissioning each Plant, the CPUC shall authorize Final Disbursements from the applicable Fund to pay Decommissioning Costs. The Trustee shall make a Final Disbursement when a CPUC Order and a Disbursement Certificate or Withdrawal Certificate is filed with the Trustee to show:

- (a) the name and address of the person or entity to whom payment is due, including reimbursement to the Company;
- (b) the amount of money to be paid; and
- (c) the purpose for which the obligation to be paid was incurred.

2.02 Additions to Master Trust. From time to time after the initial contribution to the Master Trust and prior to the termination of this Trust, the Company may make, and the Trustee shall accept, additional contributions of money to the Master Trust to satisfy the purpose of this Master Trust as set forth in Section 1.03, which contributions may be made to the applicable Fund Account(s).

2.03 No Transfers Between Fund Accounts. The Trustee and the Company further understand and agree that it is of the essence that no transfer of monies is to occur between Fund Accounts except when explicitly indicated by Certificate of the Company that such transfer is necessary to effectuate the purposes of this Master Trust.

2.04 Designation of Funds. Upon: (a) the initial contribution to the Master Trust; (b) any withdrawal from the Master Trust for Decommissioning Costs pursuant to Section 2.01 or for administrative expense pursuant to Section 6.01; (c) any addition to the Master Trust pursuant to Section 2.02, the Company shall designate, by Certificate, the appropriate Fund Account(s) which are to be credited or debited by such contribution, withdrawal, addition, or adjustment, and the Trustee shall credit or debit the appropriate Fund Account(s) in accordance with such designation.

2.05 Distribution of Income.

(1) Generally. The Trustee shall not be precluded from pooling Decommissioning Contributions (or other contributions as described in Section 2.02) with respect to each of the Fund Accounts for investment purposes, and may treat each Fund Account's Decommissioning Contributions (or other contributions as described in Section 2.02) as

having received or accrued a ratable portion of the Master Trust income in any year.

(2) Principal and Income. All questions relating to the ascertainment of income and principal and the allocation of receipts and disbursements between income and principal shall be resolved by the Trustee in accordance with the terms of the Act.

(3) Income on Current Collections. As of the end of each accounting period of the Trust, the income of the Master Trust shall, for purposes of all subsequent accounting periods, be treated as Master Trust principal.

2.06 No Transferability of Interest in Trust. The interest of the Company in the Master Trust is not transferable by the Company, whether voluntarily or involuntarily, nor subject to the claims of creditors of the Company, provided, however, that any creditor of the Company as to which a Disbursement Certificate has been properly completed and submitted to the Trustee may assert a claim directly against the Master Trust in an amount not to exceed the amount specified on such Disbursement Certificate. Nothing herein shall be construed to prohibit a transfer of the Company's interest in the Master Trust upon sale of all or part of the Company's ownership interest in any Plant or Plants; provided, however, that any such transfer shall be subject to the prior approval of the CPUC.

2.07 Resolution of Disagreements. If any disagreement arises between the Company, the Committee, and/or the CPUC Staff regarding the Master Trust, the disagreement shall be submitted to the CPUC for resolution by issuance of a CPUC Order after notice and an opportunity to be heard, as provided in the California Public Utilities Code, has been given to the Company, the Committee, the CPUC Staff, the Trustee, and any interested parties. The CPUC, on its own motion, may raise and consider any issue with regard to the Master Trust, and any such issue raised on the CPUC's own motion shall be resolved as provided above. Pending resolution of the disagreement, the Trustee shall act in accordance with the Committee's direction. Nothing in this Agreement shall be construed to limit the rights of the Company, the Committee, the CPUC Staff, the Trustee or any other interested party under the California Public Utilities Code or the California Constitution or other applicable laws or regulations.

2.08 Termination of Master Trust. This Master Trust shall be irrevocable and will terminate (in whole or in part) upon the earlier of:

- (1) Receipt by the Trustee of a Certificate from the Committee stating that substantial completion of the nuclear decommissioning of the Plants has occurred (as defined in Treasury Regulations promulgated under Code Section 468A);

(2) The twentieth anniversary of the date of the death of the survivor from among a class consisting of all of the descendants of John D. Rockefeller, late of New York, New York, born on or prior to January 1, 1987; or

(3) At such earlier time as the CPUC may order the Committee to terminate all or a portion of this Master Trust.

2.09 Distribution of Master Trust Upon Termination. Upon termination of this Master Trust or of any one or more of the Fund(s), the Trustee shall assist the Investment Manager in liquidating the assets of the Master Trust, or Fund(s), and thereupon distributing the then-existing assets of the Master Trust, or Fund(s) (including accrued, accumulated, and undistributed net income) less final Master Trust administrative expense (including accrued taxes) to the Company; provided, however, that no such distribution shall be made unless the Committee provides a Certificate to the Trustee stating that a CPUC Order has been issued which specifically authorizes such payment to the Company for distribution to the Company's then current Ratepayers, or as otherwise provided in the order. In the event the Funds are no longer needed for Decommissioning Costs and/or Master Trust administration expenses, they shall be returned to Ratepayers in a manner to be prescribed in an Order of the CPUC. In the event the CPUC or a successor no longer exists, the Trustee shall make such distribution to the Company upon receipt of an opinion of legal counsel to the

Company accompanying a Certificate of the Company stating that no CPUC Order is necessary to authorize such distribution.

2.10 Alterations and Amendments. The Trustee and the Company understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purposes of this Trust.

The CPUC by Order may direct the Company to amend, in whole or in part, any or all of the provisions of this Agreement; provided that the CPUC shall not cause the Company to amend this Agreement if such action would defeat the purpose of the Master Trust. The Committee may also amend this Agreement thirty days after filing a copy of the proposed amendment with the CPUC. No proposed amendment may be made if written objections to the proposed amendment are filed within the thirty-day period. Any party making written objections to a proposed amendment shall serve the written objections with a certificate of service on the Company, the Committee, the Trustee, and the CPUC Staff on the same day the written objections are filed with the CPUC. Any written objections which cannot be settled shall be resolved in accordance with Section 2.07. Proposed amendments filed with the CPUC shall include in the transmittal letter a reference to the foregoing procedure for making written objection to such proposed amendments. Notwithstanding anything herein to the contrary, no amendment which affects the specific rights, duties,

responsibilities, or liabilities of the Trustee, shall be made without its consent and no amendment shall be effective prior to the Trustee receiving reasonable notice thereof.

2.11 No Authority to Conduct Business. The purpose of this Master Trust is limited to the matters set forth in Section 1.03 above, specifically, and there is no objective to carry on any business unrelated to the Master Trust purposes set forth in Section 1.03 hereof, or divide the gains therefrom.

III

THE COMMITTEE

3.01 Members. The Committee shall consist of five (5) members. The members shall be nominated by the management of the Company, and their nomination shall be confirmed by the Board of Directors of the Company. No more than two (2) of the members of the Committee shall be employees, officers, or directors of the Company, or otherwise be agents of the Company in any capacity except as members of the Committee. The names of the nominees shall be furnished to the CPUC in writing within ten (10) days of their nomination. The Company shall furnish the CPUC with a resume of their background and qualifications. The three (3) nominees who are not affiliated with the Company shall be confirmed by the CPUC within 60 days of their submittal. For these three nominees, the Company shall furnish to the CPUC a statement in writing affirming that such nominees are not employees, officers, directors, or otherwise agents of the Company and providing sufficient additional information to determine the existence of any conflict or potential conflict of interest. The three (3) nominees who are not affiliated with the Company shall furnish the CPUC with a declaration that the nominee has no financial or other interest that would conflict with the discharge of their responsibilities as Committee members. Ownership of minor amounts of the Company's stock, being a customer of the Company, or having routine business relationships such as

providing normal banking services shall not be regarded as creating such a conflict or an agency relationship.

If at any time and for any reason there are insufficient members of the Committee not affiliated with the Company to permit the Committee to obtain a quorum, the CPUC, at the request of the Company, may issue an order allowing the Committee to function for a limited period of time with more than two (2) members who are employees, officers and/or directors of the Company. Should the CPUC issue such an order, it shall prescribe in that order the limited period of time during which the Committee may be composed of more than two (2) members who are officers, employees and/or directors of the Company, and it shall prescribe a time by which the Company must submit the names of new nominees for confirmation by the CPUC. The Committee shall not function with more than two (2) members who are officers, employees and/or directors of the Company except upon such order of the CPUC, and then only within the period of time prescribed in the order of the CPUC.

3.02 Term. The term of each member shall be five (5) years; however, any member may be removed by the CPUC for reasonable cause at any time. The Company shall notify the Trustee and the Investment Manager(s) of all appointments and replacements of Committee members in writing signed by an Authorized Representative. Initial appointments of Committee members may

be for less than a five-year term in order to establish staggered membership terms among the members of the Committee.

3.03 Acts of Committee. Each member of the Committee shall have one vote and the Committee shall act by majority decision. It shall require a minimum of four (4) members of the Committee to constitute a quorum in order for the Committee to act. Votes of members of the Committee shall be recorded on all matters voted on or decided by the Committee. Full minutes of Committee meetings shall be maintained. The Committee shall be subject to the jurisdiction of the CPUC.

3.04 Duties of Committee. The Committee shall direct and manage the Master Trust and perform all duties attendant thereto, including the appointment of trustees and investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest such assets. The Committee may retain the services of such professional advisors, legal counsel, and administrative support as it deems necessary to carry out its responsibilities hereunder. The reasonable fees and/or compensation of any such assistance the Committee may desire to retain shall be regarded as appropriate Master Trust administration expenses.

3.05 Committee Reports. The Committee shall evaluate the performance of the Trustee and Investment Manager(s) annually and submit a written report to the CPUC. The report shall be

confidential and submitted to the CPUC by the Company under the provisions of Section 583 of the Public Utilities Code or any applicable successor provision. The report shall include, at a minimum:

- (a) A finding, with supporting analysis, as to whether the current Trustee and Investment Manager(s) should be retained or replaced;
- (b) In the case where more than one investment manager is used, a justification therefor;
- (c) The voting record of the Committee members and the minutes of all Committee meetings; and
- (d) An itemized accounting of the Master Trust administration expenses and the basis therefor.

At least once every three years the Committee shall evaluate potential substitute trustees and investment managers and submit a report thereon to the CPUC. The report shall be confidential and submitted to the CPUC by the Company under the provisions of Section 583 of the Public Utilities Code or any applicable successor provision. This report may be combined with the annual report described above, and shall include, at a minimum:

- (a) A description of the Committee's attempts to solicit proposals from other firms which can perform the trust and investment management duties;
- (b) An evaluation of at least three firms which could potentially replace the current Trustee and/or Investment Manager(s); and
- (c) A justification of the continued use of investment manager(s) on a retainer basis, as opposed to the Trustee's employment of an "in house" investment advisor.

The Committee shall not be required to solicit proposals to replace a Trustee(s) or Investment Manager(s) who, in the judgment of the Committee, are performing adequately and have served as a Trustee and/or Investment Manager hereunder for less than three years.

3.06 Compensation. Each Committee member who is not an employee, officer, director, or otherwise an agent of the Company shall be entitled to reasonable fees and/or compensation for their services hereunder. At the time a nominee's name is furnished to the CPUC, the Company shall furnish to the CPUC a statement in writing setting forth all proposed fee and/or compensation arrangements with such nominee. The fee and/or compensation arrangements shall be subject to the approval of the CPUC. If the fee and/or compensation arrangements with any member

should be changed for any reason whatsoever, within ten (10) days of such change, the Company shall furnish to the CPUC a statement in writing fully describing the new fee and/or compensation arrangements, and such changes shall be subject to the approval of the CPUC. Each Committee member shall be reimbursed for all reasonable expenses incurred in connection with the performance of his duties under this Agreement. Fees and/or compensation paid to members of the Committee, reasonable expenses of the members of the Committee, including premiums for liability insurance if applicable, shall be regarded as appropriate Master Trust administration expenses.

3.07 Committee May Limit Trustee Actions. The Trustee shall not take any act or participate in any transaction which would violate the terms and conditions of any instructions provided by a Certificate of the Committee so long as the terms and conditions of the Certificate are consistent with this Agreement.

IV

TRUSTEES

4.01 Designation and Qualification of Successor Trustee(s). The Company by this Agreement has appointed the corporate fiduciary named herein having all requisite corporate power and authority to act as the sole original Trustee. The Trustee shall act in accordance with the directions provided to it by the Committee under the terms of this Agreement. At any time during the term of this Trust, the Committee shall have the right to remove the Trustee acting hereunder and appoint another qualified corporation as a Successor Trustee upon thirty (30) days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that the Trustee or any Successor Trustee shall:

- (a) become insolvent or admit in writing its insolvency;
- (b) be unable or admit in writing its inability to pay its debts as such debts mature;
- (c) make a general assignment for the benefit of creditors;
- (d) have an involuntary petition in bankruptcy filed against it;
- (e) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, statute, or proceeding; or
- (f) resign,

the Trustee or Successor Trustee shall cease to act as a fiduciary of this Master Trust and the Committee shall appoint a Successor Trustee. In the event of any such removal or resignation, the Trustee or Successor Trustee shall have the right to have

its accounts settled as provided in Section 4.05 hereof. Any successor to the Committee, as provided herein, shall have the same right to remove and to appoint any Trustee or Successor Trustee.

Any Successor Trustee shall qualify by a duly acknowledged acceptance of this Trust, delivered to the Company, the Committee, and the CPUC. Upon acceptance of such appointment by the Successor Trustee, the Trustee shall assign, transfer and pay over to such Successor Trustee the monies and properties then constituting the Master Trust. Any Successor Trustee shall have all the rights, powers, duties and obligations herein granted to the original Trustee.

If for any reason the Committee cannot or does not act in the event of the resignation or removal of the Trustee, as provided above, the Trustee may apply to the CPUC for the appointment of a Successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be an expense of administration payable in accordance with Section 6.01 hereof.

4.02 Resignation. The Trustee or any Successor Trustee hereof may resign and be relieved as Trustee at any time without prior application to or approval by or order of the CPUC or of any court by a duly acknowledged instrument, which shall be delivered to the Company and the Committee by the Trustee not

less than sixty (60) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Company and the Committee.

4.03 Compensation. The Trustee shall be entitled to compensation from the Master Trust as shown on Exhibit C.

This fee schedule is effective for the first six years from the date assets are initially contributed to the Company's nuclear decommissioning Master Trust. Nothing herein shall preclude renegotiation of the foregoing fee schedule due to significantly changed circumstances, provided, however, that any change in the fee schedule shall require the approval of the CPUC prior to becoming effective.

Whenever the Trustee exercises its investment discretion as provided in Article VII, it shall be entitled to compensation from the Master Trust as shown on Exhibit D.

This fee schedule shall be effective through 1995 for all assets placed under the Trustee's investment discretion prior to January 1, 1990. The fee schedule for assets placed under the Trustee's investment discretion on or after January 1, 1990 shall be subject to renegotiation. The renegotiated fee schedule shall require the approval of the CPUC prior to becoming effective.

4.04 Establish Fund Accounts. The Trustee shall maintain separate Fund Accounts for each Fund established by this Agreement to account for Decommissioning Contributions (or other contributions as described in Section 2.02) contributed to each Fund, and all income and other increments to each Fund, and disbursements from each Fund subject to the provisions of Section 2.04 above.

4.05 Accounts. The Trustee shall present financial statements to the Company and the Committee on a quarterly basis (within forty-five (45) days following the close of each quarter), or at such other frequency as the Committee shall from time to time require. The financial statements shall show the financial condition of the Master Trust, including, without limitation, income and expenses of the Master Trust for the period. The Trustee shall assume responsibility for employing independent certified public accountants to audit the financial statements not less frequently than annually, subject to the provisions contained in Section 6.05. The Company and the Committee shall have the right to object to any of the Trustee's audited financial statements. If either the Company or the Committee desires to object to the Trustee's audited financial statements it shall deliver notice of its objection to the Trustee in writing within three years from the day the Trustee shall mail or deliver such audited financial statements to the Company and the Committee. If no written objection is made within that time, the presentation of the audited

financial statements to the Company and the Committee shall release and discharge the Trustee with respect to all acts or omissions to the date of said audited financial statements; provided, however, that nothing contained herein shall be deemed to relieve the Trustee of any liability which may be imposed pursuant to Section 4.07 hereof.

4.06 Tax Returns and Other Reports. The Trustee, the Committee, and the Company shall cooperate in the preparation of income or franchise tax returns or other reports as may be required from time to time and, subject to the limitations contained in Section 6.05, may employ independent certified public accountants or other tax counsel to prepare or review such returns and reports. The Trustee shall present to the Company and the Committee on a monthly basis a report setting forth all investments purchased by the Investment Manager(s) during the previous month. The Trustee shall advise the Company and the Committee if any of the investments, in the Trustee's opinion, may constitute a violation of the restrictions on investment of trust assets outlined in Section 7.02 hereof.

4.07 Liability. The Trustee shall be liable for the acts, omissions or defaults of its own officers and employees. The Trustee shall not be liable for the acts, omissions or defaults of its agents, provided any such agents were selected with reasonable care and the performance and status of the agent is monitored with reasonable care throughout the

duration of the agency relationship. The Trustee shall not be liable for the failure or default of any bank or depository, provided any such bank or depository was selected with reasonable care and its performance and status is monitored with reasonable care. Except where the Trustee exercises its investment discretion as provided in this Agreement, the Trustee shall not be liable for the acts or omissions of any Investment Manager(s) acting hereunder. Except as provided in Section 4.05, the Trustee shall not be liable in regard to the exercise or nonexercise of any powers and discretions properly delegated pursuant to the provisions of this Agreement.

Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for any losses, penalties, or assessments flowing from violation of the restrictions on the investment of trust assets as set forth in Section 7.02 hereof where the decision to invest trust assets in investments not meeting the restrictions outlined in Section 7.02 hereof was made by or was in the power and control of the Trustee as provided in this Agreement.

Pursuant to Section 6.08 of this Agreement, the Trustee is prohibited from doing any act or knowingly engaging in any transaction that would violate the terms and conditions of any instructions provided by written Certificate of the Committee, or contravening any provision of this Agreement. Upon receipt of a Certificate of the Committee giving the Trustee notice of

either (a) instructions of the Committee to the Trustee, or (b) acts or transactions the Committee believes constitute a violation by the Trustee of the provisions of this Agreement, the Trustee shall follow the instructions of the Committee, and/or cease and desist from the acts identified in the Certificate as violating the provisions of this Agreement. To the extent the Trustee fails to follow the instructions of the Committee, or continues with any act identified in the Certificate as violating the provisions of this Agreement, from the date of receipt of the Certificate providing the instructions and/or notice of violation of the provisions of this Agreement, the Trustee (and not the Master Trust) shall be liable for all consequences flowing from any failure to follow the Committee's instructions, and/or flowing from any violation by the Trustee of the provisions of this Agreement. Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for all consequences flowing from any violation by the Trustee of the provisions of this Agreement, regardless of whether notice thereof was provided by the Committee.

4.08 Indemnity of Trustee. The Trustee shall be held harmless from any and all liability in acting in accordance with a proper Certificate or Certification of the Company or the Committee.

ENCLOSURE 4.A
(Applicable to SONGS 1, 2, and 3)

SOUTHERN CALIFORNIA EDISON COMPANY -
INVESTMENT MANAGEMENT AGREEMENT BETWEEN RCM CAPITAL MANAGEMENT
AND THE NUCLEAR FACILITIES DECOMMISSIONING MASTER TRUST
COMMITTEE FOR THE CPUC QUALIFIED MASTER TRUST

INVESTMENT MANAGEMENT AGREEMENT

BETWEEN

RCM CAPITAL MANAGEMENT

AND

THE NUCLEAR FACILITIES DECOMMISSIONING

MASTER TRUST COMMITTEE

FOR THE

CPUC QUALIFIED MASTER TRUST

SOUTHERN CALIFORNIA EDISON COMPANY

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INVESTMENT MANAGEMENT AGREEMENT

1. PARTIES

The Parties to this INVESTMENT MANAGEMENT AGREEMENT ("Agreement") are RCM Capital Management ("Investment Manager") and the Nuclear Facilities Decommissioning Master Trust Committee ("Committee") created pursuant to Article III of that certain Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement, dated November 25, 1987 ("CPUC Qualified Master Trust").

2. RECITALS

- 2.1 Southern California Edison Company ("Company") is a public utility subject to regulation by the California Public Utilities Commission ("CPUC").
- 2.2 Pursuant to Section 468A of the Internal Revenue Code of 1986 ("IRC") (all references to the IRC shall include any amendments thereto, any regulations thereunder and any applicable successor provisions) certain Federal income tax benefits are available to the Company by creating and funding qualified decommissioning funds associated with the San Onofre Nuclear Generating Station ("SONGS") and the Palo Verde Nuclear Generating Station ("Palo Verde").
- 2.3 The Company has established the CPUC Qualified Master Trust with Harris Trust and Savings Bank ("Trustee"), in order to provide adequate monies for the Company's

CPUC jurisdictional share of decommissioning costs associated with SONGS and Palo Verde.

2.4 The Committee has been created to direct and manage all assets of the CPUC Qualified Master Trust and to perform all duties attendant thereto, including the appointment of investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest such assets.

2.5 The Committee desires to employ the Investment Manager to manage a portion of the CPUC Qualified Master Trust.

3. AGREEMENT

In consideration of the promises and mutual covenants contained herein, the Committee and the Investment Manager hereby mutually covenant and agree as follows:

4. EMPLOYMENT

4.1 The Committee hereby employs the Investment Manager to manage the CPUC Qualified Master Trust assets ("Investment Account") shown on Appendix A, attached hereto and made a part hereof, and such other assets as the Committee may, from time to time, designate in writing.

4.2 By execution of this Agreement the Investment Manager accepts the appointment as investment manager and agrees to supervise and direct the investments of the Investment Account in accordance with Section 7.4 hereof.

4.3 The Investment Manager shall not under any circumstances have custody or physical control of any assets of the Investment Account, it being intended that the Trustee, pursuant to the terms of the CPUC Qualified Master Trust, shall be responsible for the safekeeping thereof and for the physical consummation of all transactions made pursuant to the directions of the Investment Manager or otherwise.

5. THE COMMITTEE

In this Agreement certain powers (including, without limitation, the right to give certain directions, notices, instructions and consents) are reserved to the Committee. The Committee shall have authority to delegate the right to exercise such powers, or any one or more of them, and any responsibilities in connection therewith, to such person or persons, as the Committee may from time to time determine. The Committee shall give the Investment Manager written notice of any such delegation, including specimen signatures of all persons authorized to exercise such powers or to sign any documents on behalf of the Committee, and the Investment Manager shall be entitled to rely on such written notice of any such delegation, including specimen signatures of all persons authorized to exercise such powers or to sign any documents on behalf of the Committee, and the Investment Manager shall be entitled to rely on such written notice of delegation until given written notice of any revocation of any such delegation.

6. THE INVESTMENT ACCOUNT

The Committee shall provide, or shall cause the Trustee to provide, to the Investment Manager on a continuing basis such information concerning security transactions and the status of the Investment Account as the Investment Manager may reasonably request. Payments from the CPUC Qualified Master Trust which are chargeable against the Investment Account, and allocations of assets to or from the Investment Account, may be made from time to time as provided in the CPUC Qualified Master Trust agreement. The Committee shall promptly notify, or shall cause the Trustee promptly to notify, the Investment Manager of any such payment or allocation. The Committee shall give the Investment Manager reasonable advance notice of any cash requirements, and the Investment Manager shall maintain in cash or cash equivalents sufficient assets to meet such cash requirements.

7. MANAGEMENT OF INVESTMENT ACCOUNT

7.1 The Investment Manager shall, subject to the provisions of Section 7.4 hereof, have complete discretion in the investment and reinvestment of the assets held in the Investment Account and shall determine what securities or other property shall be acquired, held or disposed of for the Investment Account and, subject to the provisions of Section 6 hereof, what portion of the assets held in the Investment Account shall be held in cash or cash equivalents.

- 7.2 The Investment Manager shall have authority as provided in Section 5.02 of the CPUC Qualified Master Trust agreement to direct the Trustee with respect to the investment and management of the assets held in the Investment Account. The Investment Manager shall exercise its power and carry out its duties hereunder at all times in a manner which conforms to the terms of this Agreement, the CPUC Qualified Master Trust agreement, and applicable law.
- 7.3 Unless otherwise specified in writing to the Investment Manager by the Committee, all orders for the purchase and sale of securities for the Investment Account shall be placed in such markets and through such brokers or dealers as in the Investment Manager's best judgment offer the most favorable price and market for the execution of such transactions. The Committee understands and agrees that the Investment Manager may effect securities transactions which cause the Investment Account to pay an amount of commission in excess of the amount of commission another broker or dealer would have charged, provided, however, that the Investment Manager determines in good faith that such amount of commission is reasonable. Brokerage fees or commissions shall be evaluated in relation to the value of brokerage and research services provided by such broker or dealer, viewed in terms of either the

specific transaction or the Investment Manager's overall responsibilities for the Investment Accounts for which the Investment Manager exercises investment discretion. The Committee also understands that the receipt and use of such services will not reduce the Investment Manager's customary and normal research activities.

7.4 The Investment Account shall be invested in conformity with the provisions of IRC Section 468A. Specifically, investments for the Investment Account shall be limited to:

- (A) Public debt securities of the United States (Obligations that are taken into consideration for purposes of the public debt limit);
- (B) Obligations of a state or local government that are not in default as to principal or interest (Obligations of a State or local government means the obligations of a State or local governmental unit the interest on which is exempt from tax under IRC Section 103(a)); and
- (C) Time or demand deposits in a bank (as defined in IRC Section 581) or an insured credit union (within the meaning of Section 101(6) of the Federal Credit Union Act, 12 U.S.C. 1752(7)),

located in the United States. The term "time or demand deposits" includes checking accounts, savings accounts, certificates of deposit or other time or demand deposits. The term does not include common or collective trust funds, such as a common trust fund as defined in IRC Section 584.

The Investment Account may not be invested in any investment which would violate the provisions against self-dealing contained in IRC Section 4951 as made applicable to the CPUC Qualified Master Trust by IRC Section 468A(e)(5) any regulations thereunder, and any successor provision. The Committee agrees to cooperate with the Investment Manager in identifying and/or ascertaining any conduct, act or transaction which may constitute "self-dealing" under IRC Section 4951.

- 7.5 The Investment Manager is hereby empowered to issue orders for the purchase or sale of securities for the Investment Account directly to a broker or dealer. The Investment Manager shall give the Trustee prompt written notification of each such order unless the Trustee settles such orders through a securities depository using an institutional delivery system, in which case the Trustee may deliver or receive securities in accordance with appropriate trade reports or statements given the Trustee by such depository without having received communications or instructions from the Investment Manager. In any event, the Investment

Manager shall instruct the broker or dealer concerned to forward a copy of the confirmation of the execution or such order to the Trustee and, if the Committee so requests, to the Committee and other interested parties.

8. STATUS, REPRESENTATION AND ACKNOWLEDGEMENTS OF INVESTMENT MANAGER

- 8.1 The Investment Manager represents and warrants that it is (a) duly registered as an investment adviser under the Investment Advisers Act of 1940 or (b) a bank, as defined in that Act, or (c) an insurance company qualified to perform investment advisory services under the laws of more than one state. The Investment Manager agrees to maintain such registration or status in full force and effect. The Investment Manager agrees that as soon as it knows or has reason to know that such registration or status may terminate it shall notify the Committee forthwith.
- 8.2 The Investment Manager acknowledges that it shall be a "fiduciary" with respect to the CPUC Qualified Master Trust and that it shall discharge its duties hereunder at all times with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Investment Manager agrees to exercise its powers and to discharge its duties hereunder in accordance with the provisions of the CPUC

Qualified Master Trust agreement. The Investment Manager acknowledges that it has received copies of the CPUC Qualified Master Trust agreement.

9. INFORMATION AND REPORTS

9.1 Within 45 days after the close of each calendar quarter, the Investment Manager shall submit a written report to the Committee detailing the actions taken by the Investment Manager under this Agreement during such calendar quarter. Such reports shall be furnished to the Committee containing an asset summary, the Investment Account investments' cost and market values, before and after-tax rate of return measurements computed on a time-weighted basis, along with other selected measures and characteristics as may be requested by the Committee. Available twelve-month and market cycle period results shall also be provided.

9.2 The Trustee in performing its duties under Section 4.05 of the CPUC Qualified Master Trust agreement may from time to time request the Investment Manager to furnish the Trustee with reports of the valuation of particular assets held in the Investment Account and copies or summaries of any reports of the Investment Manager containing reasonably current information as to the valuation or factors affecting the valuation of such assets. The

Investment Manager shall provide such reports as the Trustee reasonably requests.

9.3 The Investment Manager shall keep accurate and detailed records and accounts of all investments of the Investment Account and of all receipts, disbursements and other transactions hereunder affecting the Investment Account. All such records and accounts and all documents relating thereto shall be open at all reasonable times and under reasonable conditions to inspection and audit by any person or persons designated by the Committee.

9.4 The Committee and the Investment Manager agree to provide to each other such information as the Investment Manager, or the Committee, as the case may be, may reasonably request to enable it to carry out its duties, obligations and responsibilities under this Agreement, the CPUC Qualified Master Trust agreement and applicable law. The Investment Manager agrees to notify the Committee promptly in writing of (i) the commencement of any proceeding, suit or action, whether civil or criminal, or the commencement by any state or federal administrative authority of any investigation or other administrative proceeding, if such proceeding, suit, action or investigation arises out of the conduct by the Investment Manager or its principals, or employees, or arises out of a violation or alleged

violation by any such person of any state or federal securities law, rule or regulation, and (ii) the commencement of any other proceeding, suit or action, whether civil or criminal, against the Investment Manager or any of its principals, affiliates or employees if an unfavorable determination in such proceeding, suit or action against any such person would have a material adverse effect on the Investment Manager's financial position or stability or otherwise interfere with performance of its duties hereunder.

9.5 All information and advice furnished to or obtained by the Committee, the Investment Manager, the Trustee or the CPUC under or in connection with this Agreement shall be treated as confidential and shall not be disclosed to third parties except as required by law.

9.6 As provided in the CPUC Qualified Master Trust agreement, the Committee shall evaluate the performance of the Investment Manager annually and submit a written report to the CPUC. The report shall be confidential and submitted to the CPUC under the provisions of Section 583 of the Public Utilities Code or an applicable successor provision. Also, as provided in the CPUC Qualified Master Trust agreement, the Committee shall evaluate potential substitute investment managers at least once every

three years and shall submit a report to the CPUC. The report may be combined with the annual report described above and shall be subject to the same confidentiality provisions.

The following factors may necessitate a formal reconsideration of the retention of the Investment Manager or the allocation of funds to the Investment Manager at any time:

- (A) A change in investment philosophy and/or style of the Investment Manager as discerned by the Committee;
- (B) A substantive change, as defined by the Committee, in the management of the Investment Manager, including a significant change of professional staff, a change in ownership of the Investment Manager's firm, or other significant organizational changes;
or
- (C) Any violation of permitted investment strategies as defined by IRC Sections 501(c)(21)(B)(ii) and 468A(e)(4)(C), or this Agreement.

10. LIABILITY

- 10.1 The Investment Manager shall be liable for any acts, omissions or defaults of its own officers and agents; provided, however, that the Investment Manager shall not be liable for the acts, omissions or defaults of an agent acting in its capacity as a broker/dealer provided that such agent (1) is a widely recognized bank or broker/dealer that commonly engages in similar investment transactions with institutional investors, and (2) was selected with reasonable care and the performance and status of the agent is monitored with reasonable care throughout the duration of the agency relationship. This Section 10.1 shall not apply to any liabilities imposed under the IRC.
- 10.2 The Investment Manager shall be liable for any tax imposed pursuant to IRC Section 4951 (or any applicable successor provision) with respect only to investment transactions authorized by the Investment Manager for the CPUC Qualified Master Trust provided, however, that in determining the applicability of Section 4951, the Investment Manager may rely on a list provided and maintained by the Committee of "disqualified persons" as defined in Section 4951(e)(4) of the IRC.
- 10.3 Except as provided in Sections 10.1, 10.2, 10.4, and 10.5, the Investment Manager shall not be responsible

for, and shall be held harmless from, any and all liability to the Company, the Committee, or the CPUC Qualified Master Trust, including, but not limited to, any and all liability resulting from disqualification of the CPUC Qualified Master Trust by the Internal Revenue Service or taxes imposed on the CPUC Qualified Master Trust, the Committee, or the Company.

- 10.4 In the event the Investment Manager authorizes purchase of a security for the CPUC Qualified Master Trust which, on the date the security was purchased, violates the investment restrictions set forth in IRC Sections 501 (c)(21)(B)(ii) and 468 A (e)(4)(c), the Investment Manager will purchase the security from the CPUC Qualified Master Trust at its cost to the trust and will replace it with a qualifying security of equal value. The cost of the replacement security will be determined by the applicable prevailing yields or prices on the date the restricted security was purchased. Should a security or securities subsequently become restricted, at the time this is ascertained, the Investment Manager will sell the security or securities and use the proceeds to purchase qualifying securities.

In the event the Investment Manager authorizes purchase of a security for the CPUC Qualified Master

Trust which, on the date the security was purchased, violates the investment restrictions set forth in IRC Sections 501(c)(21)(B)(ii) and 468 A(e)(4)(C) and the Internal Revenue Service imposes a tax on that transaction under IRC Section 4952(a)(1), the Investment Manager shall be liable for that tax. However, the Investment Manager, shall not be liable for, and shall be held harmless from, any tax imposed on the Trustee pursuant to IRC Section 4952(a)(2), or any other tax resulting from the nonqualifying transaction.

Should the Internal Revenue Service disqualify the CPUC Qualified Master Trust and the Committee determines to defend its qualified status, the Investment Manager shall cooperate with the Committee and the Company in every reasonable manner, including providing its investment and trading professionals as expert witnesses at no cost to the Committee, the CPUC Qualified Master Trust or the Company.

The Committee shall promptly notify the Investment Manager upon its discovery of any security purchased by the Investment Manager for the CPUC Qualified Master Trust which, in the opinion of the Committee or the Trustee, may not meet the investment restrictions set forth in IRC Sections 501(c)(21)(B)(ii) and 468 A(e)(4)(c).

10.5 Should the Investment Manager, knowingly and willfully, with scienter violate the restrictions on the investment of trust assets set forth in IRC Sections 501 (c)(21)(B)(ii) and 468 A (e)(4)(c) with respect to the CPUC Qualified Master Trust the Investment Manager shall be liable for any consequences flowing from such violation(s).

11. COMPENSATION

The Investment Manager's fee rates are set forth on Appendix B which is attached hereto and by this reference made a part hereof.

12. AMENDMENT AND TERMINATION

12.1 This Agreement may be amended by written agreement of the Committee and the Investment Manager. Any amendments, however, shall not be effective until approved by the CPUC.

12.2 Except as noted below, this Agreement shall continue in force until termination by the Committee or the Investment Manager upon 30 days prior written notice to the other party. Fees paid in advance will be prorated to the date of termination and any unearned portion thereof will be refunded. If at any time the representation contained in the first sentence of Section 8.1 hereof ceases to be true, this Agreement

shall terminate immediately and the Investment Manager shall cooperate with the Committee and the Trustee in the delivery of any of the assets, books or records pertaining to the CPUC Qualified Master Trust which are then in the possession, or control, of the Investment Manager.

13. MISCELLANEOUS

13.1 No assignment of this Agreement or any rights or duties hereunder shall be made by the Investment Manager without the written consent of the Committee. As used herein, the term "assignment" shall have the meaning given in the Investment Advisers Act of 1940 and the rules and regulations adopted thereunder.

13.2 The Investment Manager shall promptly notify the Committee in writing of any significant change in the management of the Investment Manager, including a change in professional staff, ownership, or other significant organizational changes.

13.3 Any notice, direction, report or other communication to the Committee, the Investment Manager or the Trustee shall be addressed as follows:

(a) To the Committee:

Southern California Edison Company
2244 Walnut Grove Avenue, G.O. 1, Room 233
Rosemead, CA 91770

Attention: Nuclear Facilities Decommissioning
Master Trust Committee

(b) To the Investment Manager:

-RCM Capital Management
Four Embarcadero Center, Suite 2900
San Francisco, CA 94111

Attn: Southern California Edison Company
Nuclear Facilities Decommissioning Master
Trust(s)

(c) To the Trustee:

Harris Trust and Savings Bank
111 West Monroe Street
P.O. Box 755
Chicago, IL 60690

Attn: Southern California Edison Company
Nuclear Facilities Decommissioning Master
Trust(s)

- 13.4 In the event that the CPUC Qualified Master Trust agreement is amended after the execution of this Agreement, the Committee shall furnish the Investment Manager with a copy of such amendment promptly after such amendment is adopted.
- 13.5 This Agreement and its performance shall be governed by and construed in accordance with the laws of the State of California as if this Agreement were executed in and were to be wholly performed within the State of California. In case any provision of this Agreement shall be held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Agreement but shall be fully severable, and the Agreement shall

be construed and enforced as if such illegal or invalid provisions had not been included herein.

13.6 The titles to sections of this Agreement are intended solely as a convenience and shall not be used as an aid in construction of any of the provisions hereof.

13.7 This Agreement may be executed in three (3) counterparts, and any such counterpart shall be deemed an original if it has been signed and delivered by the parties hereto.

13.8 This Agreement shall be effective when approved by the CPUC and signed by all parties.

In recognition of their acceptance of the terms and conditions of this Agreement, the Committee and the Investment Manager hereby execute this Agreement by their duly authorized representatives, as of the 25th day of January, 1988.

APPROVED BY:
PUBLIC UTILITIES COMMISSION

By: [Signature]
Executive Director

NUCLEAR FACILITIES
DECOMMISSIONING MASTER TRUST
COMMITTEE FOR THE SOUTHERN
CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES QUALIFIED
CPUC DECOMMISSIONING MASTER
TRUST AGREEMENT, DATED
NOVEMBER 25, 1987

Date: _____

By: [Signature]
Authorized Representative

APPROVED AS TO FORM:
JOHN R. BURY
Vice President and General Counsel
By: [Signature]
Attorney
Jan. 15, 1988

By: [Signature]
Authorized Representative

RCM CAPITAL MANAGEMENT

By: [Signature]
Title: [Signature]

By: [Signature]
Title: _____

ENCLOSURE 4.B

**SOUTHERN CALIFORNIA EDISON COMPANY -
INVESTMENT MANAGEMENT AGREEMENT BETWEEN RCM CAPITAL MANAGEMENT
AND THE NUCLEAR FACILITIES DECOMMISSIONING MASTER TRUST
COMMITTEE FOR THE CPUC NON-QUALIFIED MASTER TRUST**

ENCLOSURE 4.B
(Applicable to SONGS 1, 2, and 3)

SOUTHERN CALIFORNIA EDISON COMPANY -
INVESTMENT MANAGEMENT AGREEMENT BETWEEN RCM CAPITAL MANAGEMENT
AND THE NUCLEAR FACILITIES DECOMMISSIONING MASTER TRUST
COMMITTEE FOR THE CPUC NON-QUALIFIED MASTER TRUST

INVESTMENT MANAGEMENT AGREEMENT

BETWEEN

RCM CAPITAL MANAGEMENT

AND

THE NUCLEAR FACILITIES DECOMMISSIONING

MASTER TRUST COMMITTEE

FOR THE

CPUC NON-QUALIFIED MASTER TRUST

SOUTHERN CALIFORNIA EDISON COMPANY

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INVESTMENT MANAGEMENT AGREEMENT

1. PARTIES

The Parties to this INVESTMENT MANAGEMENT AGREEMENT ("Agreement") are RCM Capital Management ("Investment Manager") and the Nuclear Facilities Decommissioning Master Trust Committee ("Committee") created pursuant to Article III of that certain Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement, dated November 25, 1987 ("CPUC Non-Qualified Master Trust").

2. RECITALS

- 2.1 Southern California Edison Company ("Company") is a public utility subject to regulation by the California Public Utilities Commission ("CPUC").
- 2.2 The CPUC has permitted the Company to include in its cost of service for ratemaking purposes certain amounts to be contributed by the Company to decommissioning funds which are not tax qualified under Section 468A of the Internal Revenue Code of 1986 ("IRC") (all references to the IRC shall include any amendments thereto, any regulations thereunder and any applicable successor provisions) in order to provide adequate monies for the Company's share of decommissioning costs with respect to the San Onofre Nuclear Generating Station ("SONGS") and the Palo Verde Nuclear Generating Station ("Palo Verde").

2.3 The Company has established the CPUC Non-Qualified Master Trust with Harris Trust and Savings Bank ("Trustee"), in order to provide adequate monies for the Company's CPUC jurisdictional share of decommissioning costs associated with SONGS and Palo Verde.

2.4 The Committee has been created to direct and manage all assets of the CPUC Non-Qualified Master Trust and to perform all duties attendant thereto, including the appointment of investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest such assets.

2.5 The Committee desires to employ the Investment Manager to manage a portion of the CPUC Non-Qualified Master Trust.

3. AGREEMENT

In consideration of the promises and mutual covenants contained herein, the Committee and the Investment Manager hereby mutually covenant and agree as follows:

4. EMPLOYMENT

4.1 The Committee hereby employs the Investment Manager to manage the CPUC Non-Qualified Master Trust assets ("Investment Account") shown on Appendix A, attached

hereto and made a part hereof, and such other assets as the Committee may, from time to time, designate in writing.

4.2 By execution of this Agreement the Investment Manager accepts the appointment as investment manager and agrees to supervise and direct the investments of the Investment Account in accordance with Section 7.4 hereof.

4.3 The Investment Manager shall not under any circumstances have custody or physical control of any assets of the Investment Account, it being intended that the Trustee, pursuant to the terms of the CPUC Non-Qualified Master Trust, shall be responsible for the safekeeping thereof and for the physical consummation of all transactions made pursuant to the directions of the Investment Manager or otherwise.

5. THE COMMITTEE

In this Agreement certain powers (including, without limitation, the right to give certain directions, notices, instructions and consents) are reserved to the Committee. The Committee shall have authority to delegate the right to exercise such powers, or any one or more of them, and any responsibilities in connection therewith, to such person or persons, as the Committee may from time to time determine. The Committee shall give the Investment Manager written

notice of any such delegation, including specimen signatures of all persons authorized to exercise such powers or to sign any documents on behalf of the Committee, and the Investment Manager shall be entitled to rely on such written notice of any such delegation, including specimen signatures of all persons authorized to exercise such powers or to sign any documents on behalf of the Committee, and the Investment Manager shall be entitled to rely on such written notice of delegation until given written notice of any revocation of any such delegation.

6. THE INVESTMENT ACCOUNT

The Committee shall provide, or shall cause the Trustee to provide, to the Investment Manager on a continuing basis such information concerning security transactions and the status of the Investment Account as the Investment Manager may reasonably request. Payments from the CPUC Non-Qualified Master Trust which are chargeable against the Investment Account, and allocations of assets to or from the Investment Account, may be made from time to time as provided in the CPUC Non-Qualified Master Trust agreement. The Committee shall promptly notify, or shall cause the Trustee promptly to notify, the Investment Manager of any such payment or allocation. The Committee shall give the Investment Manager reasonable advance notice of any cash requirements, and the Investment Manager shall maintain in cash or cash equivalents sufficient assets to meet such cash requirements.

7. MANAGEMENT OF INVESTMENT ACCOUNT

7.1 The Investment Manager shall, subject to the provisions of Section 7.4 hereof, have complete discretion in the investment and reinvestment of the assets held in the Investment Account and shall determine what securities or other property shall be acquired, held or disposed of for the Investment Account and, subject to the provisions of Section 6 hereof, what portion of the assets held in the Investment Account shall be held in cash or cash equivalents.

7.2 The Investment Manager shall have authority as provided in Section 5.02 of the CPUC Non-Qualified Master Trust agreement to direct the Trustee with respect to the investment and management of the assets held in the Investment Account. The Investment Manager shall exercise its power and carry out its duties hereunder at all times in a manner which conforms to the terms of this Agreement, the CPUC Non-Qualified Master Trust agreement, and applicable law.

7.3 Unless otherwise specified in writing to the Investment Manager by the Committee, all orders for the purchase and sale of securities for the Investment Account shall be placed in such markets and through such brokers or dealers as in the

Investment Manager's best judgment offer the most favorable price and market for the execution of such transactions. The Committee understands and agrees that the Investment Manager may effect securities transactions which cause the Investment Account to pay an amount of commission in excess of the amount of commission another broker or dealer would have charged, provided, however, that the Investment Manager determines in good faith that such amount of commission is reasonable. Brokerage fees or commissions shall be evaluated in relation to the value of brokerage and research services provided by such broker or dealer, viewed in terms of either the specific transaction or the Investment Manager's overall responsibilities for the Investment Accounts for which the Investment Manager exercises investment discretion. The Committee also understands that the receipt and use of such services will not reduce the Investment Manager's customary and normal research activities.

7.4 Investments for the Investment Account shall be limited to:

- (A) Public debt securities of the United States (Obligations that are taken into consideration for purposes of the public debt limit);

- (B) Obligations of a state or local government that are not in default as to principal or interest (Obligations of a State or local government means the obligations of a State or local governmental unit the interest on which is exempt from tax under IRC Section 103(a));
- (C) Time or demand deposits in a bank (as defined in IRC Section 581) or an insured credit union (within the meaning of Section 101(6) of the Federal Credit Union Act, 12 U.S.C. 1752(7)), located in the United States. The term "time or demand deposits" includes checking accounts, savings accounts, certificates of deposit or other time or demand deposits. The term does not include common or collective trust funds, such as a common trust fund as defined in IRC Section 584;
- (D) Guaranteed investment contracts, high-quality corporate bonds and equity securities as established by written guidelines of the Committee which shall be provided to the Investment Manager from time to time by the Committee, and other securities guaranteed or secured by the U.S. government; provided however, that investments in high quality equity securities shall not exceed 60 percent of the CPUC Non-Qualified Master Trust's fair market value;

(E) Such other investments authorized by the CPUC as the Committee so notifies the Investment Manager;
or

(F) An investment fund whose underlying assets include the investments permitted in (A), (B), (C), (D) and (E) above.

7.6 The Investment Manager is hereby empowered to issue orders for the purchase or sale of securities for the Investment Account directly to a broker or dealer. The Investment Manager shall give the Trustee prompt written notification of each such order unless the Trustee settles such orders through a securities depository using an institutional delivery system, in which case the Trustee may deliver or receive securities in accordance with appropriate trade reports or statements given the Trustee by such depository without having received communications or instructions from the Investment Manager. In any event, the Investment Manager shall instruct the broker or dealer concerned to forward a copy of the confirmation of the execution or such order to the Trustee and, if the Committee so requests, to the Committee and other interested parties.

8. STATUS, REPRESENTATION AND ACKNOWLEDGEMENTS OF INVESTMENT MANAGER

8.1 The Investment Manager represents and warrants that it is
(a) duly registered as an investment adviser under the

Investment Advisers Act of 1940 or (b) a bank, as defined in that Act, or (c) an insurance company qualified to perform investment advisory services under the laws of more than one state. The Investment Manager agrees to maintain such registration or status in full force and effect. The Investment Manager agrees that as soon as it knows or has reason to know that such registration or status may terminate it shall notify the Committee forthwith.

- 8.2 The Investment Manager acknowledges that it shall be a "fiduciary" with respect to the CPUC Non-Qualified Master Trust and that it shall discharge its duties hereunder at all times with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Investment Manager agrees to exercise its powers and to discharge its duties hereunder in accordance with the provisions of the CPUC Non-Qualified Master Trust agreement. The Investment Manager acknowledges that it has received copies of the CPUC Non-Qualified Master Trust agreement.

9. INFORMATION AND REPORTS

- 9.1 Within 45 days after the close of each calendar quarter, the Investment Manager shall submit a

written report to the Committee detailing the actions taken by the Investment Manager under this Agreement during such calendar quarter. Such reports shall be furnished to the Committee containing an asset summary, the Investment Account investments' cost and market values, before and after-tax rate of return measurements computed on a time-weighted basis, along with other selected measures and characteristics as may be requested by the Committee. Available twelve-month and market cycle period results shall also be provided.

- 9.2 The Trustee in performing its duties under Section 4.05 of the CPUC Non-Qualified Master Trust agreement may from time to time request the Investment Manager to furnish the Trustee with reports of the valuation of particular assets held in the Investment Account and copies or summaries of any reports of the Investment Manager containing reasonably current information as to the valuation or factors affecting the valuation of such assets. The Investment Manager shall provide such reports as the Trustee reasonably requests.
- 9.3 The Investment Manager shall keep accurate and detailed records and accounts of all investments of the Investment Account and of all receipts, disbursements and other transactions hereunder affecting the Investment Account. All such records

and accounts and all documents relating thereto shall be open at all reasonable times and under reasonable conditions to inspection and audit by any person or persons designated by the Committee.

9.4 The Committee and the Investment Manager agree to provide to each other such information as the Investment Manager, or the Committee, as the case may be, may reasonably request to enable it to carry out its duties, obligations and responsibilities under this Agreement, the CPUC Non-Qualified Master Trust agreement and applicable law. The Investment Manager agrees to notify the Committee promptly in writing of (i) the commencement of any proceeding, suit or action, whether civil or criminal, or the commencement by any state or federal administrative authority of any investigation or other administrative proceeding, if such proceeding, suit, action or investigation arises out of the conduct by the Investment Manager or its principals, or employees, or arises out of a violation or alleged violation by any such person of any state or federal securities law, rule or regulation, and (ii) the commencement of any other proceeding, suit or action, whether civil or criminal, against the Investment Manager or any of its principals, affiliates or employees if an unfavorable determination in such proceeding, suit or action against any such person

would have a material adverse effect on the Investment Manager's financial position or stability or otherwise interfere with performance of its duties hereunder.

9.5 All information and advice furnished to or obtained by the Committee, the Investment Manager, the Trustee or the CPUC under or in connection with this Agreement shall be treated as confidential and shall not be disclosed to third parties except as required by law.

9.6 As provided in the CPUC Non-Qualified Master Trust agreement, the Committee shall evaluate the performance of the Investment Manager annually and submit a written report to the CPUC. The report shall be confidential and submitted to the CPUC under the provisions of Section 583 of the Public Utilities Code or an applicable successor provision. Also, as provided in the CPUC Non-Qualified Master Trust agreement, the Committee shall evaluate potential substitute investment managers at least once every three years and shall submit a report to the CPUC. The report may be combined with the annual report described above and shall be subject to the same confidentiality provisions.

The following factors may necessitate a formal reconsideration of the retention of the Investment

Manager or the allocation of funds to the Investment Manager at any time:

- (A) A change in investment philosophy and/or style of the Investment Manager as discerned by the Committee;
- (B) A substantive change, as defined by the Committee, in the management of the Investment Manager, including a significant change of professional staff, a change in ownership of the Investment Manager's firm, or other significant organizational changes;
or
- (C) Any violation of permitted investment strategies as set forth in Section 7.4 of this Agreement.

10. LIABILITY

10.1 The Investment Manager shall be liable for any acts, omissions or defaults of its own officers and agents; provided, however, that the Investment Manager shall not be liable for the acts, omissions or defaults of an agent acting in its capacity as a broker/dealer provided that such agent (1) is a widely recognized bank or broker/dealer that commonly engages in

similar investment transactions with institutional investors, and (2) was selected with reasonable care and the performance and status of the agent is monitored with reasonable care throughout the duration of the agency relationship.

10.2 Except as provided in Sections 10.1, 10.3 and 10.4, the Investment Manager shall not be responsible for, and shall be held harmless from, any and all liability to the Company, the Committee, or the CPUC Non-Qualified Master Trust.

10.3 In the event the Investment Manager authorizes purchase of a security for the CPUC Non-Qualified Master Trust which, on the date the security was purchased, violates the investment restrictions set forth in Section 7.4 of this Agreement, the Investment Manager will purchase the security from the CPUC Non-Qualified Master Trust at its cost to the trust and will replace it with an acceptable security of equal value. The cost of the replacement security will be determined by the applicable prevailing yields or prices on the date the restricted security was purchased. Should a security or securities subsequently become restricted, at the time this is ascertained, the Investment Manager will sell the security or securities and use the proceeds to purchase acceptable securities.

The Committee shall promptly notify the Investment Manager upon its discovery of any security purchased by the Investment Manager for the CPUC Non-Qualified Master Trust which, in the opinion of the Committee or the Trustee, may not meet the investment restrictions set forth in Section 7.4 of this Agreement.

10.4 Should the Investment Manager, knowingly and willfully, with scienter violate the restrictions on the investment of trust assets set forth in Section 7.4 of this Agreement the Investment Manager shall be liable for any consequences flowing from such violation(s).

11. COMPENSATION

The Investment Manager's fee rates are set forth on Appendix B which is attached hereto and by this reference made a part hereof.

12. AMENDMENT AND TERMINATION

12.1 This Agreement may be amended by written agreement of the Committee and the Investment Manager. Any amendments, however, shall not be effective until approved by the CPUC.

12.2 Except as noted below, this Agreement shall continue in force until termination by the Committee or the

Investment Manager upon 30 days prior written notice to the other party. Fees paid in advance will be prorated to the date of termination and any unearned portion thereof will be refunded. If at any time the representation contained in the first sentence of Section 8.1 hereof ceases to be true, this Agreement shall terminate immediately and the Investment Manager shall cooperate with the Committee and the Trustee in the delivery of any of the assets, books or records pertaining to the CPUC Non-Qualified Master Trust which are then in the possession, or control, of the Investment Manager.

13. MISCELLANEOUS

- 13.1 No assignment of this Agreement or any rights or duties hereunder shall be made by the Investment Manager without the written consent of the Committee. As used herein, the term "assignment" shall have the meaning given in the Investment Advisers Act of 1940 and the rules and regulations adopted thereunder.
- 13.2 The Investment Manager shall promptly notify the Committee in writing of any significant change in the management of the Investment Manager, including a change in professional staff, ownership, or other significant organizational changes.
- 13.3 Any notice, direction, report or other communication to the Committee, the Investment Manager or the Trustee shall be addressed as follows:

(a) To the Committee:

Southern California Edison Company
2244 Walnut Grove Avenue, G.O. 1, Room 233
Rosemead, CA 91770

Attention: Nuclear Facilities Decommissioning
Master Trust Committee

(b) To the Investment Manager:

RCM Capital Management
Four Embarcadero Center, Suite 2900
San Francisco, CA 94111

Attn: Southern California Edison Company
Nuclear Facilities Decommissioning Master
Trust(s)

(c) To the Trustee:

Harris Trust and Savings Bank
111 West Monroe Street
P.O. Box 755
Chicago, IL 60690

Attn: Southern California Edison Company
Nuclear Facilities Decommissioning Master
Trust(s)

13.4 In the event that the CPUC Non-Qualified Master Trust agreement is amended after the execution of this Agreement, the Committee shall furnish the Investment Manager with a copy of such amendment promptly after such amendment is adopted.

13.5 This Agreement and its performance shall be governed by and construed in accordance with the laws of the State of California as if this Agreement were executed in and were to be wholly performed within the State of California. In case any provision of

this Agreement shall be held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Agreement but shall be fully severable, and the Agreement shall be construed and enforced as if such illegal or invalid provisions had not been included herein.

13.6 The titles to sections of this Agreement are intended solely as a convenience and shall not be used as an aid in construction of any of the provisions hereof.

13.7 This Agreement may be executed in three (3) counterparts, and any such counterpart shall be deemed an original if it has been signed and delivered by the parties hereto.

13.8 This Agreement shall be effective when approved by the CPUC and signed by all parties.

In recognition of their acceptance of the terms and conditions of this Agreement, the Committee and the Investment Manager hereby execute this Agreement by their duly authorized representatives, as of the 25th day of January, 1988.

APPROVED BY:
CALIFORNIA PUBLIC UTILITIES
COMMISSION

By: [Signature]
Executive Director

NUCLEAR FACILITIES
DECOMMISSIONING MASTER TRUST
COMMITTEE FOR THE SOUTHERN
CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES NON-QUALIFIED
CPUC DECOMMISSIONING MASTER
TRUST AGREEMENT, DATED
NOVEMBER 25, 1987

Date: _____

By: [Signature]
Authorized Representative

APPROVED AS TO FORM:
JOHN B. BURY
Vice President and General Counsel
By: [Signature]
Attorney
Jan. 15, 1988

By: [Signature]
Authorized Representative

RCM CAPITAL MANAGEMENT

By: [Signature]
Title: principal

By: [Signature]
Title: _____

ENCLOSURE 4.C
(Applicable to SONGS 1, 2, and 3)

SOUTHERN CALIFORNIA EDISON COMPANY -
INVESTMENT MANAGEMENT AGREEMENT BETWEEN STW FIXED INCOME MANAGEMENT
AND THE NUCLEAR FACILITIES DECOMMISSIONING MASTER TRUST
COMMITTEE FOR THE CPUC QUALIFIED MASTER TRUST

INVESTMENT MANAGEMENT AGREEMENT

BETWEEN

STW FIXED INCOME MANAGEMENT

AND

THE NUCLEAR FACILITIES DECOMMISSIONING

MASTER TRUST COMMITTEE

FOR THE

CPUC QUALIFIED MASTER TRUST

SOUTHERN CALIFORNIA EDISON COMPANY

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INVESTMENT MANAGEMENT AGREEMENT

1. PARTIES

The Parties to this INVESTMENT MANAGEMENT AGREEMENT ("Agreement") are STW Fixed Income Management ("Investment Manager") and the Nuclear Facilities Decommissioning Master Trust Committee ("Committee") created pursuant to Article III of that certain Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement, dated November 25, 1987 ("CPUC Qualified Master Trust").

2. RECITALS

- 2.1 Southern California Edison Company ("Company") is a public utility subject to regulation by the California Public Utilities Commission ("CPUC").
- 2.2 Pursuant to Section 468A of the Internal Revenue Code of 1986 ("IRC") (all references to the IRC shall include any amendments thereto, any regulations thereunder and any applicable successor provisions) certain Federal income tax benefits are available to the Company by creating and funding qualified decommissioning funds associated with the San Onofre Nuclear Generating Station ("SONGS") and the Palo Verde Nuclear Generating Station ("Palo Verde").
- 2.3 The Company has established the CPUC Qualified Master Trust with Harris Trust and Savings Bank ("Trustee"), in order to provide adequate monies for the Company's

CPUC jurisdictional share of decommissioning costs associated with SONGS and Palo Verde.

2.4 The Committee has been created to direct and manage all assets of the CPUC Qualified Master Trust and to perform all duties attendant thereto, including the appointment of investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest such assets.

2.5 The Committee desires to employ the Investment Manager to manage a portion of the CPUC Qualified Master Trust.

3. AGREEMENT

In consideration of the promises and mutual covenants contained herein, the Committee and the Investment Manager hereby mutually covenant and agree as follows:

4. EMPLOYMENT

4.1 The Committee hereby employs the Investment Manager to manage the CPUC Qualified Master Trust assets ("Investment Account") shown on Appendix A, attached hereto and made a part hereof, and such other assets as the Committee may, from time to time, designate in writing.

4.2 By execution of this Agreement the Investment Manager accepts the appointment as investment manager and agrees to supervise and direct the investments of the Investment Account in accordance with Section 7.4 hereof.

4.3 The Investment Manager shall not under any circumstances have custody or physical control of any assets of the Investment Account, it being intended that the Trustee, pursuant to the terms of the CPUC Qualified Master Trust, shall be responsible for the safekeeping thereof and for the physical consummation of all transactions made pursuant to the directions of the Investment Manager or otherwise.

5. THE COMMITTEE

In this Agreement certain powers (including, without limitation, the right to give certain directions, notices, instructions and consents) are reserved to the Committee. The Committee shall have authority to delegate the right to exercise such powers, or any one or more of them, and any responsibilities in connection therewith, to such person or persons, as the Committee may from time to time determine. The Committee shall give the Investment Manager written notice of any such delegation, including specimen signatures of all persons authorized to exercise such powers or to sign any documents on behalf of the Committee, and the Investment Manager shall be entitled to rely on such written notice of any such delegation, including specimen signatures of all persons authorized to exercise such powers or to sign any documents on behalf of the Committee, and the Investment Manager shall be entitled to rely on such written notice of delegation until given written notice of any revocation of any such delegation.

6. THE INVESTMENT ACCOUNT

The Committee shall provide, or shall cause the Trustee to provide, to the Investment Manager on a continuing basis such information concerning security transactions and the status of the Investment Account as the Investment Manager may reasonably request. Payments from the CPUC Qualified Master Trust which are chargeable against the Investment Account, and allocations of assets to or from the Investment Account, may be made from time to time as provided in the CPUC Qualified Master Trust agreement. The Committee shall promptly notify, or shall cause the Trustee promptly to notify, the Investment Manager of any such payment or allocation. The Committee shall give the Investment Manager reasonable advance notice of any cash requirements, and the Investment Manager shall maintain in cash or cash equivalents sufficient assets to meet such cash requirements.

7. MANAGEMENT OF INVESTMENT ACCOUNT

7.1 The Investment Manager shall, subject to the provisions of Section 7.4 hereof, have complete discretion in the investment and reinvestment of the assets held in the Investment Account and shall determine what securities or other property shall be acquired, held or disposed of for the Investment Account and, subject to the provisions of Section 6 hereof, what portion of the assets held in the Investment Account shall be held in cash or cash equivalents.

7.2 The Investment Manager shall have authority as provided in Section 5.02 of the CPUC Qualified Master Trust agreement to direct the Trustee with respect to the investment and management of the assets held in the Investment Account. The Investment Manager shall exercise its power and carry out its duties hereunder at all times in a manner which conforms to the terms of this Agreement, the CPUC Qualified Master Trust agreement, and applicable law.

7.3 Unless otherwise specified in writing to the Investment Manager by the Committee, all orders for the purchase and sale of securities for the Investment Account shall be placed in such markets and through such brokers or dealers as in the Investment Manager's best judgment offer the most favorable price and market for the execution of such transactions. The Committee understands and agrees that the Investment Manager may effect securities transactions which cause the Investment Account to pay an amount of commission in excess of the amount of commission another broker or dealer would have charged, provided, however, that the Investment Manager determines in good faith that such amount of commission is reasonable. Brokerage fees or commissions shall be evaluated in relation to the value of brokerage and research services provided by such broker or dealer, viewed in terms of either the

specific transaction or the Investment Manager's overall responsibilities for the Investment Accounts for which the Investment Manager exercises investment discretion. The Committee also understands that the receipt and use of such services will not reduce the Investment Manager's customary and normal research activities.

7.4 The Investment Account shall be invested in conformity with the provisions of IRC Section 468A. Specifically, investments for the Investment Account shall be limited to:

- (A) Public debt securities of the United States (Obligations that are taken into consideration for purposes of the public debt limit);
- (B) Obligations of a state or local government that are not in default as to principal or interest (Obligations of a State or local government means the obligations of a State or local governmental unit the interest on which is exempt from tax under IRC Section 103(a)); and
- (C) Time or demand deposits in a bank (as defined in IRC Section 581) or an insured credit union (within the meaning of Section 101(6) of the Federal Credit Union Act, 12 U.S.C. 1752(7)),

located in the United States. The term "time or demand deposits" includes checking accounts, savings accounts, certificates of deposit or other time or demand deposits. The term does not include common or collective trust funds, such as a common trust fund as defined in IRC Section 584.

The Investment Account may not be invested in any investment which would violate the provisions against self-dealing contained in IRC Section 4951 as made applicable to the CPUC Qualified Master Trust by IRC Section 468A(e)(5) any regulations thereunder, and any successor provision. The Committee agrees to cooperate with the Investment Manager in identifying and/or ascertaining any conduct, act or transaction which may constitute "self-dealing" under IRC Section 4951.

7.5 The Investment Manager is hereby empowered to issue orders for the purchase or sale of securities for the Investment Account directly to a broker or dealer. The Investment Manager shall give the Trustee prompt written notification of each such order unless the Trustee settles such orders through a securities depository using an institutional delivery system, in which case the Trustee may deliver or receive securities in accordance with appropriate trade reports or statements given the Trustee by such depository without having received communications or instructions from the Investment Manager. In any event, the Investment

Manager shall instruct the broker or dealer concerned to forward a copy of the confirmation of the execution or such order to the Trustee and, if the Committee so requests, to the Committee and other interested parties.

8. STATUS, REPRESENTATION AND ACKNOWLEDGEMENTS OF INVESTMENT MANAGER

- 8.1 The Investment Manager represents and warrants that it is (a) duly registered as an investment adviser under the Investment Advisers Act of 1940 or (b) a bank, as defined in that Act, or (c) an insurance company qualified to perform investment advisory services under the laws of more than one state. The Investment Manager agrees to maintain such registration or status in full force and effect. The Investment Manager agrees that as soon as it knows or has reason to know that such registration or status may terminate it shall notify the Committee forthwith.
- 8.2 The Investment Manager acknowledges that it shall be a "fiduciary" with respect to the CPUC Qualified Master Trust and that it shall discharge its duties hereunder at all times with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Investment Manager agrees to exercise its powers and to discharge its duties hereunder in accordance with the provisions of the CPUC

Qualified Master Trust agreement. The Investment Manager acknowledges that it has received copies of the CPUC Qualified Master Trust agreement.

9. INFORMATION AND REPORTS

9.1 Within 45 days after the close of each calendar quarter, the Investment Manager shall submit a written report to the Committee detailing the actions taken by the Investment Manager under this Agreement during such calendar quarter. Such reports shall be furnished to the Committee containing an asset summary, the Investment Account investments' cost and market values, before and after-tax rate of return measurements computed on a time-weighted basis, along with other selected measures and characteristics as may be requested by the Committee. Available twelve-month and market cycle period results shall also be provided.

9.2 The Trustee in performing its duties under Section 4.05 of the CPUC Qualified Master Trust agreement may from time to time request the Investment Manager to furnish the Trustee with reports of the valuation of particular assets held in the Investment Account and copies or summaries of any reports of the Investment Manager containing reasonably current information as to the valuation or factors affecting the valuation of such assets. The

Investment Manager shall provide such reports as the Trustee reasonably requests.

- 9.3 The Investment Manager shall keep accurate and detailed records and accounts of all investments of the Investment Account and of all receipts, disbursements and other transactions hereunder affecting the Investment Account. All such records and accounts and all documents relating thereto shall be open at all reasonable times and under reasonable conditions to inspection and audit by any person or persons designated by the Committee.
- 9.4 The Committee and the Investment Manager agree to provide to each other such information as the Investment Manager, or the Committee, as the case may be, may reasonably request to enable it to carry out its duties, obligations and responsibilities under this Agreement, the CPUC Qualified Master Trust agreement and applicable law. The Investment Manager agrees to notify the Committee promptly in writing of (i) the commencement of any proceeding, suit or action, whether civil or criminal, or the commencement by any state or federal administrative authority of any investigation or other administrative proceeding, if such proceeding, suit, action or investigation arises out of the conduct by the Investment Manager or its principals, or employees, or arises out of a violation or alleged

violation by any such person of any state or federal securities law, rule or regulation, and (ii) the commencement of any other proceeding, suit or action, whether civil or criminal, against the Investment Manager or any of its principals, affiliates or employees if an unfavorable determination in such proceeding, suit or action against any such person would have a material adverse effect on the Investment Manager's financial position or stability or otherwise interfere with performance of its duties hereunder.

9.5 All information and advice furnished to or obtained by the Committee, the Investment Manager, the Trustee or the CPUC under or in connection with this Agreement shall be treated as confidential and shall not be disclosed to third parties except as required by law.

9.6 As provided in the CPUC Qualified Master Trust agreement, the Committee shall evaluate the performance of the Investment Manager annually and submit a written report to the CPUC. The report shall be confidential and submitted to the CPUC under the provisions of Section 583 of the Public Utilities Code or an applicable successor provision. Also, as provided in the CPUC Qualified Master Trust agreement, the Committee shall evaluate potential substitute investment managers at least once every

three years and shall submit a report to the CPUC. The report may be combined with the annual report described above and shall be subject to the same confidentiality provisions.

The following factors may necessitate a formal reconsideration of the retention of the Investment Manager or the allocation of funds to the Investment Manager at any time:

- (A) A change in investment philosophy and/or style of the Investment Manager as discerned by the Committee;

- (B) A substantive change, as defined by the Committee, in the management of the Investment Manager, including a significant change of professional staff, a change in ownership of the Investment Manager's firm, or other significant organizational changes;
or

- (C) Any violation of permitted investment strategies as defined by IRC Sections 501(c)(21)(B)(ii) and 468A(e)(4)(C), or this Agreement.

10. LIABILITY

- 10.1 The Investment Manager shall be liable for any acts, omissions or defaults of its own officers and agents; provided, however, that the Investment Manager shall not be liable for the acts, omissions or defaults of an agent acting in its capacity as a broker/dealer provided that such agent (1) is a widely recognized bank or broker/dealer that commonly engages in similar investment transactions with institutional investors, and (2) was selected with reasonable care and the performance and status of the agent is monitored with reasonable care throughout the duration of the agency relationship. This Section 10.1 shall not apply to any liabilities imposed under the IRC.
- 10.2 The Investment Manager shall be liable for any tax imposed pursuant to IRC Section 4951 (or any applicable successor provision) with respect only to investment transactions authorized by the Investment Manager for the CPUC Qualified Master Trust provided, however, that in determining the applicability of Section 4951, the Investment Manager may rely on a list provided and maintained by the Committee of "disqualified persons" as defined in Section 4951(e)(4) of the IRC.
- 10.3 Except as provided in Sections 10.1, 10.2, 10.4, and 10.5, the Investment Manager shall not be responsible

for, and shall be held harmless from, any and all liability to the Company, the Committee, or the CPUC Qualified Master Trust, including, but not limited to, any and all liability resulting from disqualification of the CPUC Qualified Master Trust by the Internal Revenue Service or taxes imposed on the CPUC Qualified Master Trust, the Committee, or the Company.

- 10.4 In the event the Investment Manager authorizes purchase of a security for the CPUC Qualified Master Trust which, on the date the security was purchased, violates the investment restrictions set forth in IRC Sections 501 (c)(21)(B)(ii) and 468 A (e)(4)(c), the Investment Manager will purchase the security from the CPUC Qualified Master Trust at its cost to the trust and will replace it with a qualifying security of equal value. The cost of the replacement security will be determined by the applicable prevailing yields or prices on the date the restricted security was purchased. Should a security or securities subsequently become restricted, at the time this is ascertained, the Investment Manager will sell the security or securities and use the proceeds to purchase qualifying securities.

In the event the Investment Manager authorizes purchase of a security for the CPUC Qualified Master

Trust which, on the date the security was purchased, violates the investment restrictions set forth in IRC Sections 501(c)(21)(B)(ii) and 468 A(e)(4)(C) and the Internal Revenue Service imposes a tax on that transaction under IRC Section 4952(a)(1), the Investment Manager shall be liable for that tax. However, the Investment Manager, shall not be liable for, and shall be held harmless from, any tax imposed on the Trustee pursuant to IRC Section 4952(a)(2), or any other tax resulting from the nonqualifying transaction.

Should the Internal Revenue Service disqualify the CPUC Qualified Master Trust and the Committee determines to defend its qualified status, the Investment Manager shall cooperate with the Committee and the Company in every reasonable manner, including providing its investment and trading professionals as expert witnesses at no cost to the Committee, the CPUC Qualified Master Trust or the Company.

The Committee shall promptly notify the Investment Manager upon its discovery of any security purchased by the Investment Manager for the CPUC Qualified Master Trust which, in the opinion of the Committee or the Trustee, may not meet the investment restrictions set forth in IRC Sections 501(c)(21)(B)(ii) and 468 A(e)(4)(c).

10.5 Should the Investment Manager, knowingly and willfully, with scienter violate the restrictions on the investment of trust assets set forth in IRC Sections 501 (c)(21)(B)(ii) and 468 A (e)(4)(c) with respect to the CPUC Qualified Master Trust the Investment Manager shall be liable for any consequences flowing from such violation(s).

11. COMPENSATION

The Investment Manager's fee rates are set forth on Appendix B which is attached hereto and by this reference made a part hereof.

12. AMENDMENT AND TERMINATION

12.1 This Agreement may be amended by written agreement of the Committee and the Investment Manager. Any amendments, however, shall not be effective until approved by the CPUC.

12.2 Except as noted below, this Agreement shall continue in force until termination by the Committee or the Investment Manager upon 30 days prior written notice to the other party. Fees paid in advance will be prorated to the date of termination and any unearned portion thereof will be refunded. If at any time the representation contained in the first sentence of Section 8.1 hereof ceases to be true, this Agreement

shall terminate immediately and the Investment Manager shall cooperate with the Committee and the Trustee in the delivery of any of the assets, books or records pertaining to the CPUC Qualified Master Trust which are then in the possession, or control, of the Investment Manager.

13. MISCELLANEOUS

- 13.1 No assignment of this Agreement or any rights or duties hereunder shall be made by the Investment Manager without the written consent of the Committee. As used herein, the term "assignment" shall have the meaning given in the Investment Advisers Act of 1940 and the rules and regulations adopted thereunder.
- 13.2 The Investment Manager shall promptly notify the Committee in writing of any significant change in the management of the Investment Manager, including a change in professional staff, ownership, or other significant organizational changes.
- 13.3 Any notice, direction, report or other communication to the Committee, the Investment Manager or the Trustee shall be addressed as follows:

(a) To the Committee:

Southern California Edison Company
2244 Walnut Grove Avenue, G.O. 1, Room 233
Rosemead, CA 91770

Attention: Nuclear Facilities Decommissioning
Master Trust Committee

(b) To the Investment Manager:

STW Fixed Income Management
1165 Coast Village Road
Santa Barbara, CA 93108

Attn: Southern California Edison Company
Nuclear Facilities Decommissioning Master
Trust(s)

(c) To the Trustee:

Harris Trust and Savings Bank
111 West Monroe Street
P.O. Box 755
Chicago, IL 60690

Attn: Southern California Edison Company
Nuclear Facilities Decommissioning Master
Trust(s)

13.4 In the event that the CPUC Qualified Master Trust agreement is amended after the execution of this Agreement, the Committee shall furnish the Investment Manager with a copy of such amendment promptly after such amendment is adopted.

13.5 This Agreement and its performance shall be governed by and construed in accordance with the laws of the State of California as if this Agreement were executed in and were to be wholly performed within the State of California. In case any provision of this Agreement shall be held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Agreement but shall be fully severable, and the Agreement shall

be construed and enforced as if such illegal or invalid provisions had not been included herein.

13.6 The titles to sections of this Agreement are intended solely as a convenience and shall not be used as an aid in construction of any of the provisions hereof.

13.7 This Agreement may be executed in three (3) counterparts, and any such counterpart shall be deemed an original if it has been signed and delivered by the parties hereto.

13.8 This Agreement shall be effective when approved by the CPUC and signed by all parties.

In recognition of their acceptance of the terms and conditions of this Agreement, the Committee and the Investment Manager hereby execute this Agreement by their duly authorized representatives, as of the 26th day of January, 1988.

APPROVED BY:
PUBLIC UTILITIES COMMISSION

By: [Signature]
Executive Director

NUCLEAR FACILITIES
DECOMMISSIONING MASTER TRUST
COMMITTEE FOR THE SOUTHERN
CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES QUALIFIED
CPUC DECOMMISSIONING MASTER
TRUST AGREEMENT, DATED
NOVEMBER 25, 1987

Date: _____

By: [Signature]
Authorized Representative

APPROVED AS TO FORM:
JOHN G. BURY
Vice President and General Counsel
By: [Signature]
Attorney
Jan. 15, 1988

By: [Signature]
Authorized Representative

STW FIXED INCOME MANAGEMENT

By: [Signature]
Title: PRINCIPAL

By: [Signature]
Title: Principal

ENCLOSURE 4.D
(SDG&E Encl. 2.B.ii)
(Applicable to SONGS 1, 2, and 3)

SAN DIEGO GAS & ELECTRIC COMPANY -
INVESTMENT MANAGEMENT AGREEMENT BETWEEN DELAWARE INVESTMENT ADVISERS
AND THE NUCLEAR FACILITIES DECOMMISSIONING MASTER TRUST
COMMITTEE FOR THE CPUC QUALIFIED MASTER TRUST

INVESTMENT MANAGEMENT AGREEMENT

1. PARTIES

The Parties to this INVESTMENT MANAGEMENT AGREEMENT ("Agreement") are Delaware Investment Advisers, a division of Delaware Management Company, Inc. ("Investment Manager") and the Nuclear Facilities Decommissioning Master Trust Committee ("Committee") as defined in Section 3.01 of each trust.

2. RECITALS

2.1 The Company has established the following tax qualified and non-tax qualified Master Trusts with Harris Trust and Savings Bank ("Trustee"), in order to provide adequate monies for the Company's share of decommissioning costs associated with the San Onofre Nuclear Generating Station ("SONGS"):

(A) San Diego Gas & Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust ("Qualified Trust"):

- (i) SONGS Unit No. 1 Qualified Fund
- (ii) SONGS Unit No. 2 Qualified Fund
- (iii) SONGS Unit No. 3 Qualified Fund

(B) San Diego Gas & Electric Company Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust ("Non-Qualified Trust"):

- (i) SONGS Unit No. 1 Non-Qualified Fund
- (ii) SONGS Unit No. 2 Non-Qualified Fund

2.2 The Committee has been created by the Company to direct the management of all assets of the Master Trusts and to perform all duties attendant thereto, including the appointment of investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest such assets.

2.3 The Committee desires to employ the Investment Manager to manage a portion of the Master Trust(s).

3. AGREEMENT

In consideration of the promises and mutual covenants contained herein, the Committee and the Investment Manager hereby mutually covenant and agree as follows:

4. EMPLOYMENT

4.1 The Committee hereby employs the Investment Manager to manage the assets shown on Appendix A (attached hereto and made a part hereof) which are held in the Master Trust(s), and such other assets as the Company may, from time to time, designate in writing ("Investment Account(s)").

4.2 By execution of this Agreement the Investment Manager accepts the appointment as investment manager and agrees to supervise and direct the investments of the Investment



Account(s) in accordance with the investment guidelines set forth in Section 7.5.

4.3 The Investment Manager shall not under any circumstances have custody or physical control of any assets of the Investment Account(s), it being intended that the Trustee shall be responsible for the safekeeping thereof and for the physical consummation of all transactions made pursuant to the directions of the Investment Manager or otherwise.

5. THE COMMITTEE

In this Agreement certain powers (including, without limitation, the right to give certain directions, notices, instructions and consents) are reserved to the Committee. The Committee shall have authority to delegate the right to exercise such powers, or any one or more of them, and any responsibilities in connection therewith, to such person or persons, as the Committee may from time to time determine. The Committee shall give the Investment Manager written notice of any such delegation, including specimen signatures of all persons authorized to exercise such powers or to sign any documents on behalf of the Committee, and the Investment Manager shall be entitled to rely on such written notice of any such delegation, including specimen signatures of all persons authorized to exercise such powers or to sign any documents on behalf of any committee so authorized, and the Investment Manager shall be entitled to rely on such written



notice of delegation until given written notice of any revocation of any such delegation.

6. THE INVESTMENT ACCOUNTS

The Committee shall provide, or shall cause the Trustee to provide, the Investment Manager on a continuing basis with such information concerning security transactions and the status of the Investment Account(s) as the Investment Manager may reasonably request. Payments from the Master Trust(s) which are chargeable against the Investment Account(s), and allocations of assets to or from the Investment Account(s), may be made from time to time as provided in the Master Trust agreement(s). The Committee shall promptly notify, or shall cause the Trustee promptly to notify, the Investment Manager of any such payment or allocation. Also, the Committee shall give the Investment Manager reasonable advance notice of any cash requirements, and the Investment Manager shall maintain in cash or cash equivalents sufficient assets to meet such cash requirements.

7. MANAGEMENT OF INVESTMENT ACCOUNT

7.1 The Investment Manager shall, subject to the provisions of Section 7.5 hereof, have complete discretion in the investment and reinvestment of the assets held in the Investment Accounts and shall determine what securities or other property shall be acquired, held or disposed of for the Investment Accounts and, subject to the

provisions of Section 6 hereof, what portion of the assets held in the Investment Accounts shall be held uninvested.

7.2 The Investment Manager shall have authority as provided in Section 5.02 of the Master Trust agreement(s) to direct the Trustee with respect to the investment and management of the assets held in the Investment Account(s). The Investment Manager shall exercise its power and carry out its duties hereunder at all times in a manner which conforms to the terms of this Agreement, the Master Trust agreement(s), and applicable law.

7.3 Unless otherwise specified in writing to the Investment Manager by the Committee, all orders for the purchase and sale of securities for the Investment Account(s) shall be placed in such markets and through such brokers as in the Investment Manager's best judgment shall offer the most favorable price and market for the execution of each transaction. The Committee understands and agrees that the Investment Manager may effect securities transactions which cause the Investment Account(s) to pay an amount of commission in excess of the amount of commission another broker dealer would have charged. Provided, however, that the Investment Manager determines in good faith that such amount of commission is reasonable in relation to the value of brokerage and research services provided by such broker or dealer, viewed in terms of either the specific transaction or the Investment Manager's overall

responsibilities to the Investment Account(s) for which the Investment Manager exercises investment discretion. The Committee also understands that the receipt and use of such services will not reduce the Investment Manager's customary and normal research activities.

7.4 Provided the investment objectives of the Investment Account(s) are adhered to, the Committee agrees that the Investment Manager may aggregate sales and purchase orders of securities held in the Investment Account(s) with similar orders being made simultaneously for other portfolios managed by the Investment Manager if, in the Investment Manager's reasonable judgment, such aggregation shall result in an overall economic benefit to the Investment Account(s), taking into consideration the advantageous selling or purchase price and brokerage commission. In accounting for such aggregated order, price and commission shall be averaged on a per bond or share basis daily. The Committee acknowledges that the Investment Manager's determination of such economic benefit to the Investment Account(s) is based on an evaluation that the Investment Account(s) is benefited by relatively better purchase or sales prices, lower commission expenses and beneficial timing of transactions, or a combination of these and other factors.

7.5 The Investment Account(s) shall be invested in conformity with the provisions of the Tax Reform Act of 1984.

Specifically, investments for the Qualified Trust Investment Account(s) shall be limited to:

- (A) Public debt securities of the United States (Obligations that are taken into consideration for purposes of the public debt limit);

- (B) Obligations of a state or local government that are not in default as to principal or interest (Obligations of a State or local government means the obligations of a State or local government unit the interest on which is exempt from tax under Section 103(a) of the Internal Revenue Code.); and

- (C) Time or demand deposits in a bank (as defined in Internal Revenue Code Section 581) or an insured credit union (within the meaning of Section 101(6) of the Federal Credit Union Act, 12 U.S.C. 1752(7), located in the United States. The term "time or demand deposits" includes checking accounts, savings accounts, certificates of deposit or other time or demand deposits. The term does not include common or collective trust funds, such as a common trust fund as defined in Section 584 of the Internal Revenue Code.

In addition to the above investments, the Non-Qualified Trust Investment Account(s) may also invest in guaranteed investment contracts, high-quality corporate bonds (as rated by Moody's or Standard and Poor's), high quality equity securities, and other securities guaranteed or secured by the U.S. government and other investments which may be approved by the CPUC. However, investments in equity securities shall not exceed 60 percent of the Non-Qualified Trusts' fair market value.

The Qualified Trust Investment Account(s) may not be invested in any investment which would violate the provisions against self-dealing contained in Section 4951 of the Internal Revenue Code, as made applicable to the Qualified Trust by Internal Revenue Code Section 468A(e)(5), any regulations thereunder, and any successor provision. The Committee agrees to cooperate with the Investment Manager in identifying and/or ascertaining any conduct, act or transaction which may constitute "self-dealing" under Section 4951 of the Internal Revenue Code.

- 7.6 The Investment Manager is hereby empowered to issue orders for the purchase or sale of securities for the Investment Account(s) directly to a broker or dealer. The Investment Manager shall give the Trustee prompt written notification of each such order unless the Trustee settles such orders through a securities

depository using an institutional delivery system, in which case the Trustee may deliver or receive securities in accordance with appropriate trade reports or statements given the Trustee by such depository without having received communications or instructions from the Investment Manager. In any event, the Investment Manager shall instruct the broker or dealer concerned to forward a copy of the confirmation of the execution or such order to the Trustee and, if the Committee so requests, to the Committee and other interested parties.

8. STATUS, REPRESENTATION AND ACKNOWLEDGEMENTS OF INVESTMENT MANAGER

8.1 The Investment Manager represents and warrants that it is (a) duly registered as an investment adviser under the Investment Advisers Act of 1940 or (b) a bank, as defined in that Act, or (c) an insurance company qualified to perform investment advisory services under the laws of more than one state. The Investment Manager agrees to maintain such registration or status in full force and effect. The Investment Manager agrees that as soon as it knows or has reason to know that such registration or status may terminate it shall forthwith notify the Committee thereof.

8.2 The Investment Manager acknowledges that it shall be a "fiduciary" with respect to the Master Trust(s) and that it shall discharge its duties hereunder at all times with



the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Investment Manager agrees to exercise its powers and to discharge its duties hereunder in accordance with the provisions of the Master Trust Agreement(s). The Investment Manager acknowledges that it has received copies of the Master Trust Agreement(s).

9. INFORMATION AND REPORTS

9.1 Within 45 business days after the close of each calendar quarter, the Investment Manager shall submit a written report to the Committee detailing the actions taken by the Investment Manager under this Agreement during such calendar quarter. Such reports shall be furnished to the Committee containing an asset summary, the Investment Account(s) investments' cost and market values, before and after-tax rate of return measurements computed on a time-weighted basis along with other selected measures and characteristics. Available twelve-month and market cycle period results shall also be provided.

9.2 The Trustee in performing its duties under Section 4.05 of the Trust Agreement(s) may from time to time request the Investment Manager to furnish the Trustee with reports of the valuation of particular assets held in the Investment Accounts and copies or summaries of any

reports of the Investment Manager containing reasonably current information as to the valuation or factors affecting the valuation of such assets. The Investment Manager shall provide such reports as the Trustee reasonably requests.

- 9.3 The Investment Manager shall keep accurate and detailed records and accounts of all investments of the Investment Accounts and of all receipts, disbursements and other transactions hereunder affecting the Investment Accounts. All such records and accounts and all documents relating thereto shall be open at all reasonable times and under reasonable conditions to inspection and audit by any person or persons designated by the Committee.
- 9.4 The Committee and the Investment Manager agree to provide to each other such information as the Investment Manager or the Committee, as the case may be, may reasonably request to enable it to carry out its duties, obligations and responsibilities under this Agreement, the Trust Agreement(s) and applicable law. The Investment Manager agrees to notify the Committee promptly in writing of (i) the commencement of any proceeding, suit or action, whether civil or criminal, or the commencement by any state or federal administrative authority of any investigation, if such proceeding, suit, action or investigation arises out of the conduct by the Investment Manager or its principals, affiliates or employees of the business of a broker, dealer, or investment adviser, or arises out

of a violation or alleged violation by any such person of any state or federal securities law, rule or regulation, and (ii) the commencement of any other proceeding, suit or action, whether civil or criminal, against the Investment Manager or any of its principals, affiliates or employees if an unfavorable determination in such proceeding, suit or action against any such person would have a material adverse effect on the Investment Manager's financial position or stability or otherwise interfere with performance of his duties hereunder.

9.5 All information and advice furnished to or obtained by the Committee, the Investment Manager or the Trustee under or in connection with this Agreement shall be treated as confidential and shall not be disclosed to third parties except as required by law.

9.6 The Committee shall evaluate the performance of the Investment Manager annually and submit a written report to the CPUC. The report shall be confidential and submitted to the CPUC under the provisions of Section 583 of the Public Utilities Code or an applicable successor provision.

The Committee shall evaluate potential substitute investment managers at least once every three years and shall submit a report to the CPUC. The report may be combined with the annual report described above and shall be subject to the same confidentiality provisions.

The following factors may necessitate a formal reconsideration of the allocation of funds to the Investment Manager at any time:

- (A) A change in investment philosophy and style of the Investment Manager as discerned by the Committee;
- (B) A substantive change, in the management of an investment management firm, a significant change of professional staff, a change in ownership of the investment management firm, or other significant organizational changes as defined by the Committee.
- (C) Any violation of permitted investment strategies as defined by Internal Revenue Code Sections 501(c)(21)(B)(ii) and 468A(e)(4)(C), or this Agreement.

10. LIABILITY

10.1 The Investment Manager shall be liable for any acts, omissions or defaults of its own officers, employees and agents; provided however that the Investment Manager shall not be liable for the acts, omissions or defaults of an agent acting in its capacity as a broker/dealer provided that such agent is (1) a widely recognized bank

or broker/dealer that commonly engages in similar investment transactions with institutional investors, and (2) was selected with reasonable care and the performance and status of the agent is monitored with reasonable care throughout the duration of the agency relationship.

10.2 Notwithstanding Section 10.1, the Investment Manager (and not the Committee, the Trustee or the Master Trust(s)) shall be liable with respect to its actions hereunder as Investment Manager for (a) any tax imposed pursuant to Section 4951 of the Internal Revenue Code of 1986 (or any applicable successor provision) as such section is made applicable to the Qualified Trust and/or (b) any consequences flowing from violation of the restrictions on the investment of trust assets as set forth in Section 7.5.

11. COMPENSATION

The Investment Manager's fee rates are set forth on Appendix B which is attached hereto and made a part hereof.

12. AMENDMENT AND TERMINATION

12.1 This Agreement may be amended by written agreement of the Committee and the Investment Manager. Any amendments, however, shall not be effective until approved by the CPUC.

12.2 Except as noted below, this Agreement shall continue in



force until termination by the Committee or the Investment Manager upon 30 days prior written notice to the other party. Fees paid in advance will be prorated to the date of termination and any unearned portion thereof will be refunded. If at any time the representation contained in the first sentence of Section 8.1 hereof ceases to be true, this Agreement shall terminate forthwith.

13. MISCELLANEOUS

13.1 No assignment of this Agreement or any rights or duties hereunder shall be made by the Investment Manager without the written consent of the Committee. As used herein, the term "assignment" shall have the meaning given in the Investment Advisers Act of 1940 and the rules and regulations adopted thereunder.

13.2 The Investment Manager shall promptly notify the Committee in writing of any significant change in the management of the Investment Manager, including a change in professional staff, ownership, or other significant organizational changes.

13.3 Any notice, direction, report or other communication to the Committee, the Investment Manager or the Trustee shall be addressed as follows:

(a) To the Committee:

San Diego Gas & Electric Company
P.O. Box 1831

101 Ash Street
San Diego, California 92112

Attention: Nuclear Facilities Decommissioning
Master Trust Committee
c/o Manager - Financial Services

(b) To the Investment Manager:

Delaware Investment Advisers
One Commerce Square
Philadelphia, Pennsylvania 19103
Attn: Robert Bernstein, Vice President

(c) To the Trustee:

Harris Trust and Savings Bank
111 West Monroe Street
P. O. Box 755
Chicago, Illinois 60690
Attn: Katherine Freytag, Master Trust Division

- 13.4 In the event that any of the Master Trust Agreement(s) are amended after the execution of this Agreement, the Committee shall furnish the Investment Manager with a copy of such amendment promptly after such amendment is adopted.
- 13.5 This Agreement and its performance shall be governed by and construed in accordance with the laws of the State of California. In case any provision of this Agreement shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Agreement but shall be fully severable, and the Agreement shall be construed and enforced as if such illegal or invalid provisions had not been included herein.
- 13.6 The titles to sections of this Agreement are intended



solely as a convenience and shall not be used as an aid in construction of any provisions hereof.

13.7 This Agreement may be executed in any number of counterparts, and any such counterpart or group of counterparts shall be deemed an original if it has been signed and delivered by the parties hereto.

13.8 This Agreement shall be effective when approved by the CPUC and signed by all parties.

In recognition of their acceptance of the terms and conditions of this Agreement, the Committee and the Investment Manager hereby execute this Agreement by their duly authorized representatives, as of the 21st day of December, 1987.

NUCLEAR FACILITIES DECOMMISSIONING
MASTER TRUST COMMITTEE

By:

[Signature]
Authorized Representative

By:

[Signature]
Authorized Representative

CALIFORNIA PUBLIC UTILITIES
COMMISSION

By:

[Signature]
Executive Director

DELAWARE INVESTMENT ADVISERS, division of
Delaware Management Company, Inc.

By:

[Signature]
Title: President

By:

[Signature]
Title: Vice President/Secretary

INVESTMENT MANAGER FEE SCHEDULE

.375% on first \$75 million
.325% on next \$75 million
.250% on next \$50 million
.100% over \$200 million

APPENDIX B



TRUSTEE SELECTION

10 Trustee Banks were solicited for Bids

Banks were selected from among the top names in the P&I Age Master Trust Survey, and major California based banks.

3 Finalists were chosen based on their competitive fee schedule for the same level of service.

Bankers Trust

Harris Trust & Savings

Security Pacific National Bank

We recommend Harris Trust & Savings due to the following considerations:

Competitive fee schedule

Certainty of high level of service due to their current association with the Pension Plan

Performance Analytic Capability

Willingness to work with the CPUC as needed

Capability to download data