

**San Onofre Nuclear Generating Station
Units 1, 2, and 3
Decommissioning Funding Status Report**

As provided in 10 CFR 50.75(f)(1), each power reactor licensee is required to report to the NRC on a calendar year basis, beginning on March 31, 1999, and every two years thereafter, the status of its decommissioning funding for each reactor or share of reactor it owns. Provided below is the information required by 10 CFR 50.75(f)(1) for San Onofre Units 1, 2, and 3. This information will be reported every two years for San Onofre Units 2 and 3, and every year for San Onofre Unit 1 (because it was permanently shut down before the end of its licensed life).

All dollar amounts are in 1998 dollars, and the owners are reported as follows:

Southern California Edison (SCE)
San Diego Gas & Electric (SDG&E)
City of Anaheim (Anaheim)
City of Riverside (Riverside)

1. The decommissioning funds estimated to be required pursuant to 10 CFR 50.75(b) and (c) are the following:

<u>San Onofre Unit 1</u>	<u>San Onofre Unit 2</u>	<u>San Onofre Unit 3</u>
\$240.9 million	\$291.2 million	\$291.2 million

Including the 0.6 life expiration factor for San Onofre Units 2 and 3 provides an estimated amount of \$174.7 million per unit. Since San Onofre Unit 1 is permanently shutdown the life expiration factor is 1.0.

2. The amount accumulated at the end of calendar year 1998 (in 1998 dollars) is:

<u>Owner</u>	<u>San Onofre Unit 1</u>	<u>San Onofre Unit 2</u>	<u>San Onofre Unit 3</u>
SCE	\$413,251,000	\$552,225,000	\$703,552,000
SDG&E ⁽¹⁾	\$130,103,000	\$134,809,000	\$184,686,000
Anaheim ⁽¹⁾	N/A	\$ 17,339,000	\$ 20,249,000
Riverside ⁽¹⁾	N/A	\$ 10,295,000	\$ 13,309,000
TOTAL	\$543,354,000	\$714,668,000	\$921,796,000

3. The annual amounts being collected are:

<u>Owner</u>	<u>San Onofre Unit 1</u>	<u>San Onofre Unit 2</u>	<u>San Onofre Unit 3</u>
SCE	\$5,295,000	\$30,948,000	\$34,869,000
SDG&E ⁽¹⁾	\$5,897,000	\$ 6,761,000	\$ 9,380,000
Anaheim ⁽¹⁾	N/A	\$ 1,859,000	\$ 2,171,000
Riverside ⁽¹⁾	N/A	\$ 710,000	\$ 930,000

Within the meaning of 10 CFR 50.75(e)(1)(ii)(A) and (B), each owner either (A) recovers, directly or indirectly, the estimated total cost of decommissioning through rates established by "cost of service" or similar rate making regulation, including entities that establish their own rates and are able to recover their cost of service allocable to decommissioning, or (B) has as its source of revenues for its external sinking fund a "non-bypassable charge," the total amount of which, with earnings, provides the funds estimated to be needed for decommissioning.

In December 1998, SCE and SDG&E submitted an application to the California Public Utilities Commission (CPUC) which provided updated decommissioning fund balances and decommissioning cost estimates for San Onofre Units 1, 2, and 3. SCE and SDG&E requested that the collection amounts shown above be modified consistent with those updated fund balances and cost estimates. SCE anticipates that the CPUC could issue its decision as early as mid-year 1999. If the CPUC approves a change in the annual amount to be collected, SCE will include the changes in its next regularly scheduled decommissioning funding letter.

4. The assumptions used regarding rates of escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections are the following:

The ranges for the escalation rate and rate of return used by SCE and SDG&E⁽¹⁾ for San Onofre Unit 1 are 6.03% - 6.65% and 5.0% - 5.75%, respectively. The ranges for the escalation rate and rate of return used by SCE, SDG&E⁽¹⁾, Anaheim⁽¹⁾, and Riverside⁽¹⁾ for San Onofre Units 2 and 3 are 5.6% - 6.7% and 5.0% - 6.0%, respectively. These escalation rates and rates of return for San Onofre Units 1, 2, and 3 result in assumed real earnings rates less than the 2% real rate of return allowed under 10 CFR 50.75(e)(1)(ii).

5. Any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(v); any modifications occurring to a licensee's current method providing financial assurance since the last submitted report; and any material changes to trust agreements are:

None of the owners of San Onofre Units 1, 2, and 3 are relying on any contracts for the purposes of providing decommissioning funding pursuant to 10 CFR 50.75(e)(1)(v). The SCE and SDG&E trust agreements are provided as Attachments 1 and 2, respectively. Since these agreements were last provided to the NRC by letter dated February 26, 1993, the following material changes have been included:

- A. Removal of Internal Revenue Code investment restrictions as a result of changes in the law in the Energy Policy Act of 1992, and
- B. Allowing the removal of up to 3% of the NRC defined decommissioning costs for planning purposes as a result of NRC regulatory changes in 1996.

Note: (1) SCE is submitting information with respect to its co-owners, SDG&E and the Cities of Anaheim and Riverside, on their behalf, and they are primarily responsible for the completeness and accuracy of their respective information.

ATTACHMENT 1

Southern California Edison

Decommissioning Trust Agreements

SOUTHERN CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC
DECOMMISSIONING
MASTER TRUST AGREEMENT

**FOR SAN ONOFRE AND PALO VERDE
NUCLEAR GENERATING STATIONS**

Restated as of December 27, 1997

**SOUTHERN CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT**

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**SOUTHERN CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT**

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SOUTHERN CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT

AGREEMENT originally made the 7th day of February, 1992, by and between Southern California Edison Company, a California corporation ("Company"), and The Northern Trust Company, an Illinois banking corporation having trust powers ("Trustee"), and amended from time to time, is hereby restated in its entirety as of December 27, 1997.

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 contribution of monies to the Master Trust on or before March 2, 1992; 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 set forth:

I.

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)" 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 be used merely to refer to the Funds in the aggregate and is not intended nor should it be construed to constitute a separate entity.
- (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. Assets of the Funds must be used as authorized by Section 468A of the Code and the regulations thereunder.

1.04 Establishment of Master Trust.

By execution of this Agreement, the Company:

- (a) 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
- (b) appoints The Northern Trust Company as Trustee of 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 Decommissioning Master Trust for San Onofre and Palo Verde 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) Disbursement 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. One year 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).

Prior to the issuance of an Interim Disbursement order, the Trustee is authorized to pay up to 3 percent of the amount specified in paragraph 50.75 of Title 10 of the Code of Federal Regulations for decommissioning planning purposes upon receipt of a Disbursement Certificate or a Withdrawal Certificate meeting the requirements of Section 2.01(4)(a)-(c).

- (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) 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. Any pooled arrangement undertaken as permitted in this Section 2.06(1) can be terminated at any time by any Fund. No Fund in a pooling arrangement may substitute for itself in such arrangement any person that is not a member of that pooling arrangement.
- (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, 1991; 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. This Agreement may not be amended so as to violate Section 468A of the Code or the regulations thereunder.

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 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.

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 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

(1) ASSET-BASED CHARGES.

Per Account Charge. \$500 per account.

Asset-based fee. 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

(2) ACTIVITY-BASED CHARGES.

\$15 per security transaction (purchases and sales only)

(3) SPECIAL CHARGES FOR VARIOUS ASSET CLASSES

\$1,000 per single-line item asset, such as mutual funds, real estate and venture capital.

(4) PERFORMANCE MEASUREMENT

\$4,000 per manager account (quarterly).

\$5,000 per manager account (monthly).

(5) SPECIAL REPORT FEES

Based on actual usage of computer and staff resources subject to a minimum quarterly fee of \$1,250 or \$5,000 for four rolling quarters. Billed against this fee are usage charges of \$20 per Computer Resource Unit (CRU), and \$50 per staff hour. Usage of optional third party data bases is billed in addition to the minimum fee.

(6) TAX SERVICES

(a) MONTHLY TAX ACCRUALS. \$1,000 per account per annum.

(b) QUARTERLY ESTIMATED TAX PAYMENTS. \$1,000 per account per annum.

(c) TAX RETURNS. \$1,000 per account per annum (no charge for extension requests)

This fee schedule is effective for three years from the date the Company's nuclear decommissioning Master Trust assets are transferred to the Trustee. 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):

First \$10 million - 0.5%

From \$10 million to \$25 million - 0.3%

From \$25 million to \$100 million - 0.2%

Excess over \$100 million - 0.1%

This fee schedule shall be in effect for the first 3 years following the effective date of this Agreement. Any renegotiated fee schedule shall require the approval of the CPUC prior to becoming effective.

Global Custody Fees.

1. Account Fees
\$3,000 per account
2. Asset-Based Charges

Tier I	5¢ per \$1,000
Tier II	7¢ per \$1,000
Tier III	10¢ per \$1,000
Tier IV	20¢ per \$1,000
Tier V	40¢ per \$1,000
3. Transaction Fees

Tier I	\$15 per Item
Tier II	\$20 per Item
Tier III	\$20 per Item
Tier IV	\$30 per Item
Tier V	\$30 per Item
4. Execution Costs
Reregistration, stamp duty, delivery/receipt charges and similar charges will be passed through at cost, if and as applicable.

Tier I	United States
Tier II	Australia, Belgium, Canada, Denmark, Euroclear, France, Germany, Ireland, Italy, Japan, Luxembourg, Malaysia, Netherlands, New Zealand, Sweden, United Kingdom
Tier III	Austria, Hong Kong, Norway, Singapore, South Korea, Spain, Switzerland, Taiwan, Thailand
Tier IV	Argentina, China, Finland, Mexico, Portugal, Sri Lanka, South Africa, Turkey
Tier V	Bangladesh, Botswana, Brazil, Czech Republic, Chile, Columbia, Cyprus, Equador, Egypt, Greece, Hungary, India, Indonesia, Israel, Jamaica, Jordan, Morocco, Nigeria, Pakistan, Peru, Philippines, Poland, Trinidad, Tunisia, Uruguay, Venezuela, Vietnam, Zimbabwe

Custody fees for all trust assets in the aggregate shall not exceed 10 basis points, or such other limit specified by CPUC Order.

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 486A(e)(4)(C), or successor provision, or any CPUC Order filed with the Trustee by the Committee which contains investment restrictions 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 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 where the act giving rise to the imposition of any tax pursuant to Section 4951 of the Code 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.

V. 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 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, 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 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.

6.09 Appointment of Foreign Custodians.

To appoint foreign custodians as agents of the Trustee to custody foreign securities holdings of the Master Trust.

6.10 Tax Refund Claim Procedures.

To utilize any tax refund claim procedures with respect to taxes withheld to which the Trust Fund may be entitled under applicable tax laws, treaties and regulations; any exercise of such power by the Trustee shall be on a best efforts basis.

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 as follows; provided, however, that no such investment or reinvestment of the Funds may be made by the Trustee unless such investment is permitted to be made by Code Sections 468A(e)(4)(C), the regulations thereunder, and any applicable successor provisions:

- (1) Up to 100% of the fair market value of the Master Trust may be invested in investment grade fixed income securities (rated BBB- or higher by Standard & Poor's or an equivalent rating by other rating agencies) including, but not limited to, government, agency, municipal, corporate, mortgage-backed, asset-backed, nondollar, and cash equivalent securities. No derivative security of any kind shall be considered an investment grade fixed-income security.
- (2) Not more than 50% of the fair market value of the Master Trust may be invested in equity securities. Not more than 20% of the fair market value of the Master Trust may be invested in international equity securities. At least 50% of the equity portion of the Master Trust shall be invested passively.
- (3) Such other investments authorized by the CPUC as the Committee so notifies the Trustee by Certification.
- (4) An investment fund whose underlying assets include the investments permitted in (1), (2) and (3) above.
- (5) Derivatives of all descriptions are prohibited, except that the Master Trust may hedge foreign exchange risks between the buy or sell date of a foreign security and the settlement date. Long-term hedges are prohibited.

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 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.

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.

7.05 Foreign Investments.

The Committee shall have sole responsibility for the decision to maintain the custody of foreign investments abroad. Except as otherwise directed by the Committee, custody of foreign investments shall be maintained with foreign custodians selected by the Trustee. Except as provided in Section 4.07, the Trustee shall have no responsibility for losses resulting from the acts or omissions of any foreign custodian appointed by the Trustee unless due to the foreign custodian's fraud, negligence or willful misconduct. The Trustee shall maintain custody of foreign investments in any jurisdiction where the Trustee has not selected a custodian solely as directed by the Committee. The Trustee shall have no responsibility for the financial condition, acts or omissions of any foreign custodian holding assets of the Master Trust at the direction of the Committee.

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
Treasurer's Department
P. O. Box 800
2244 Walnut Grove Avenue
Rosemead, California 91770

Attention: Secretary, Nuclear Facilities
Decommissioning Trust Committee

IF TO THE TRUSTEE:

The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60675

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

IF TO THE CPUC:

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

Attention: Executive Director

IF TO THE CPUC STAFF:

California Public Utilities Commission
505 Van Ness Avenue
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.

8.12 Approval.

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

IN WITNESS WHEREOF, the CPUC, 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: _____

Attest: _____

Title: Wesley M. Franklin
EXECUTIVE DIRECTOR

SOUTHERN CALIFORNIA EDISON COMPANY

By: Alan Hahn

Title: Executive Vice President & CFO

Attest: _____

Title: Beverly P. Rider
Corporate Secretary

THE NORTHERN TRUST COMPANY

By: Thomas Herbert

Title: VICE PRESIDENT

Attest: _____

Title: Thomas C. McHenry
Assistant Secretary

EXHIBIT A

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 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 _____, 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 _____, _____.

Executed this _____ day of _____, _____.

By _____

Authorized Representative

By _____

Authorized Representative

EXHIBIT B

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 _____, 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 _____, _____.

Executed this _____ day of _____, _____.

SOUTHERN CALIFORNIA EDISON COMPANY

By _____

Authorized Representative

By _____

Authorized Representative

SOUTHERN CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES NONQUALIFIED CPUC
DECOMMISSIONING
MASTER TRUST AGREEMENT

**FOR SAN ONOFRE AND PALO VERDE
NUCLEAR GENERATING STATIONS**

Restated as of December 27, 1997

**SOUTHERN CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES NONQUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT**

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**SOUTHERN CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES NONQUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT**

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SOUTHERN CALIFORNIA EDISON COMPANY
NUCLEAR FACILITIES NONQUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT

AGREEMENT originally made the 7th day of February, 1992, by and between Southern California Edison Company, a California corporation ("Company"), and The Northern Trust Company, an Illinois banking corporation having trust powers ("Trustee"), and amended from time to time, is hereby restated in its entirety as of December 27, 1997.

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 contribution of monies to the Master Trust; 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 set forth:

I.
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:
 - (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, 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 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 The Northern Trust Company 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".

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) Disbursement 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. One year 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).

Prior to the issuance of an Interim Disbursement order, the Trustee is authorized to pay up to 3 percent of the amount specified in paragraph 50.75 of Title 10 of the Code of Federal Regulations for decommissioning planning purposes upon receipt of a Disbursement Certificate or a Withdrawal Certificate meeting the requirements of Section 2.01(4)(a)-(c).

- (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, 1991; 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 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 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.

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 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

(1) **ASSET-BASED CHARGES.**

Per Account Charge. \$500 per account.

Asset-based fee. 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

(2) **ACTIVITY-BASED CHARGES.**

\$15 per security transaction (purchases and sales only)

(3) **SPECIAL CHARGES FOR VARIOUS ASSET CLASSES**

\$1,000 per single-line item asset, such as mutual funds, real estate and venture capital.

(4) **PERFORMANCE MEASUREMENT**

\$4,000 per manager account (quarterly).

\$5,000 per manager account (monthly).

(5) **SPECIAL REPORT FEES**

Based on actual usage of computer and staff resources subject to a minimum quarterly fee of \$1,250 or \$5,000 for four rolling quarters. Billed against this fee are usage charges of \$20 per Computer Resource Unit (CRU), and \$50 per staff hour. Usage of optional third party data bases is billed in addition to the minimum fee.

(6) **TAX SERVICES**

(a) **MONTHLY TAX ACCRUALS.** \$1,000 per account per annum.

(b) **QUARTERLY ESTIMATED TAX PAYMENTS.** \$1,000 per account per annum.

(c) **TAX RETURNS.** \$1,000 per account per annum (no charge for extension requests)

This fee schedule is effective for three years from the date the Company's nuclear decommissioning Master Trust assets are transferred to the Trustee. 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):

First \$10 million - 0.5%

From \$10 million to \$25 million - 0.3%

From \$25 million to \$100 million - 0.2%

Excess over \$100 million - 0.1%

This fee schedule shall be in effect for the first 3 years following the effective date of this Agreement. Any renegotiated fee schedule shall require the approval of the CPUC prior to becoming effective.

Global Custody Fees.

1. Account Fees

\$3,000 per account

2. Asset-Based Charges

Tier I 5¢ per \$1,000

Tier II 7¢ per \$1,000

Tier III 10¢ per \$1,000

Tier IV 20¢ per \$1,000

Tier V 40¢ per \$1,000

3. Transaction Fees

Tier I \$15 per Item

Tier II \$20 per Item

Tier III \$20 per Item

Tier IV \$30 per Item

Tier V \$30 per Item

4. Execution Costs

Reregistration, stamp duty, delivery/receipt charges and similar charges will be passed through at cost, if and as applicable.

Tier I United States

Tier II Australia, Belgium, Canada, Denmark, Euroclear, France, Germany, Ireland, Italy, Japan, Luxembourg, Malaysia, Netherlands, New Zealand, Sweden, United Kingdom

Tier III Austria, Hong Kong, Norway, Singapore, South Korea, Spain, Switzerland, Taiwan, Thailand

Tier IV Argentina, China, Finland, Mexico, Portugal, Sri Lanka, South Africa, Turkey

Tier V Bangladesh, Botswana, Brazil, Czech Republic, Chile, Columbia, Cyprus, Ecuador, Egypt, Greece, Hungary, India, Indonesia, Israel, Jamaica, Jordan, Morocco, Nigeria, Pakistan, Peru, Philippines, Poland, Trinidad, Tunisia, Uruguay, Venezuela, Vietnam, Zimbabwe

Custody fees for all trust assets in the aggregate shall not exceed 10 basis points, or such other limit specified by CPUC Order.

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.

V. 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.

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, 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, 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 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.

6.09 Appointment of Foreign Custodians.

To appoint foreign custodians as agents of the Trustee to custody foreign securities holdings of the Master Trust.

6.10 Tax Refund Claim Procedures.

To utilize any tax refund claim procedures with respect to taxes withheld to which the Trust Fund may be entitled under applicable tax laws, treaties and regulations; any exercise of such power by the Trustee shall be on a best efforts basis.

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, as follows:

- (1) Up to 100% of the fair market value of the Master Trust may be invested in investment grade fixed income securities (rated BBB- or higher by Standard & Poor's or an equivalent rating by other rating agencies) including, but not limited to, government, agency, municipal, corporate, mortgage-backed, asset-backed, nondollar, and cash equivalent securities. No derivative security of any kind shall be considered an investment grade fixed-income security;

- (2) Not more than 60% of the fair market value of the Master Trust may be invested in equity securities. Not more than 20% of the fair market value of the Master Trust may be invested in international equity securities. At least 50% of the equity portion of the Master Trust shall be invested passively;
- (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 (a), (b) and (c) above.
- (5) Derivatives of all descriptions are prohibited, except that the Master Trust may hedge foreign exchange risks between the buy or sell date of a foreign security and the settlement date. Long-term hedges are prohibited.

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 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 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.

7.05 Foreign Investments.

The Committee shall have sole responsibility for the decision to maintain the custody of foreign investments abroad. Except as otherwise directed by the Committee, custody of foreign investments shall be maintained with foreign custodians selected by the Trustee. Except as provided in Section 4.07, the Trustee shall have no responsibility for losses resulting from the acts or omissions of any foreign custodian appointed by the Trustee unless due to the foreign custodian's fraud, negligence or willful misconduct. The Trustee shall maintain custody of foreign investments in any jurisdiction where the Trustee has not selected a custodian solely as directed by the Committee. The Trustee shall have no responsibility for the financial condition, acts or omissions of any foreign custodian holding assets of the Master Trust at the direction of the Committee.

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
Treasurer's Department
P. O. Box 800
2244 Walnut Grove Avenue
Rosemead, California 91770

Attention: Secretary, Nuclear Facilities
Decommissioning Trust Committee

IF TO THE TRUSTEE:

The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60675

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

IF TO THE CPUC:

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

Attention: Executive Director

IF TO THE CPUC STAFF:

California Public Utilities Commission
505 Van Ness Avenue
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 2.06 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.

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IN WITNESS WHEREOF, the CPUC, 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: _____

Attest: Wesley M. Franks
Title: Executive Director

SOUTHERN CALIFORNIA EDISON COMPANY

By: Alan J. Fisher
Title: Executive Vice President & CFO

Attest: Beverly Ryder
Title: Corporate Secretary

THE NORTHERN TRUST COMPANY

By: Thom Hohot
Title: VICE PRESIDENT

Attest: James C. Mulaney
Title: Assistant Secretary

EXHIBIT A

DISBURSEMENT CERTIFICATE

The undersigned, 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 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 _____, 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 _____.

Executed this _____ day of _____.

SOUTHERN CALIFORNIA EDISON COMPANY

By _____
Authorized Representative

By _____
Authorized Representative

EXHIBIT B

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 _____, 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 _____, _____.

Executed this _____ day of _____, _____.

SOUTHERN CALIFORNIA EDISON COMPANY

By _____
Authorized Representative

By _____
Authorized Representative

ATTACHMENT 2

San Diego Gas & Electric

Decommissioning Trust Agreements

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

SAN DIEGO GAS & ELECTRIC COMPANY

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NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT

NUCLEAR FACILITIES QUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT

AGREEMENT made this 29 day of JUNE, 1992, by and between San Diego Gas & Electric Company, a California corporation ("Company"), and State Street Bank and Trust Company, a Massachusetts 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 _____, 1992; 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 Unit 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 State Street Bank and Trust Company 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 of 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 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 from the date assets are initially contributed to the Company's nuclear decommissioning Master Trust until December 31, 1994. Nothing herein shall preclude renegotiation of the foregoing fee schedule due to significantly changed circumstances, provided, however, that any increase 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 December 31, 1994 for all assets placed under the Trustee's investment discretion. After January 1, 1995, the fee schedule for assets placed under the Trustee's investment discretion shall be subject to renegotiation. Any increase in 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 depositary, provided any such bank or depositary 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.

V

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 identify 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 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 92112-4150

Attention: Nuclear Facilities Decommissioning Trust Committee

If to the Trustee:

State Street Bank and Trust Company
Master Trust Division
Solomon Willard Building
1 Enterprise Drive
Quincy, Massachusetts 02171

Attention: Trust Officer

If to the CPUC:

California Public Utilities Commission
505 Van Ness Avenue, Room 5025
San Francisco, California 94102-3298

Attention: Executive Director

If to the CPUC Staff:

California Public Utilities Commission
505 Van Ness Avenue, Room _____
San Francisco, California 94102-3298

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:

Acting Chief, Finance Branch, CAC

SAN DIEGO GAS & ELECTRIC COMPANY

By: *M. W. Malquist*
Title: Treasurer
Attest: *[Signature]*
Title: SECRETARY

STATE STREET BANK AND TRUST COMPANY

By: *Ernest D. Cox*
Title: TRUST OFFICER
Attest: *[Signature]*
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 _____, 1992, 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 _____, 1992, 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

STATE STREET BANK AND TRUST COMPANY
MASTER TRUST SERVICES FEE SCHEDULE FOR
SAN DIEGO GAS & ELECTRIC NDT

I. TRUSTEE/CUSTODIAN CHARGES

The following charges will be assessed on the month-end net asset value in U.S. dollars:

.50 of one (1) basis point per annum to act as Custodial Trustee

II. PORTFOLIO ACCOUNTING, RECORDKEEPING & REPORTING

* \$ 6,000 per domestic portfolio per annum

III. PORTFOLIO ACTIVITY

U.S.

\$ 15.00 per depository trade (DTC, Fed, PTC)
\$ 55.00 per physical trade
\$ 18.00 per time deposit (third party only)

IV. OTHER CHARGES (Only if Applicable)

- o Plan Accounting
\$540.00 per plan per year
- o Short-Term Investment Fund
All annual administrative/management fees are netted out of the yield.
- o Out-of-Pockets
Out-of-pockets such as wires, courier, and communication charges are born by the client.

V. ANALYTICS SERVICES

- o Performance Measurement (Asset Class - Before and After Taxes)
* \$ 2,500 per portfolio per year
- o Black lung monitoring (monthly)
* \$ 750 per portfolio per year

* Charge for one portfolio waived

SAN DIEGO GAS & ELECTRIC CO.

FEE ESTIMATE¹

I.	<u>TRUSTEE CHARGE</u>	
	.50 of one (1) basis point (on assumed \$128M asset value)	\$ 6,405
II.	<u>PORTFOLIO ACCOUNTING</u>	
	4 @ \$6,000 each (1 portfolio waived based on set-up: only 3 managers)	\$18,000
III.	<u>PORTFOLIO ACTIVITY</u>	
	\$15.00 per DTC trade (934 x)	\$14,010
IV.	<u>PLANT ACCOUNTING</u>	
	3 @ \$540 each	\$ 1,620
	TOTAL	<u>\$40,035</u>

OPTIONAL SERVICES:

Tax Preparation

@ \$1,400 per Federal return
@ \$ 900 per State return

State Street Analytics

Performance Measurement (Asset
Class - Before and After Taxes)
@ \$2,500 per portfolio x 3 =

\$ 7,500

Black Lung Monitoring

Monthly @ \$750 per portfolio x 3 =
Daily @ \$1,500 per portfolio

\$ 2,250

Board Reports
Estimate

\$ 6,000

¹Based on current asset value.

INVESTMENT MANAGEMENT

FEE SCHEDULE

50 Basis points for the first \$50,000,000
40 Basis points for the next \$150,000,000
30 Basis points thereafter

**Amendment No. 1 To The Qualified
CPUC Decommissioning Master Trust Agreement**

Pursuant to Section 2.12 of the Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement dated June 29, 1992 (the "Agreement") between San Diego Gas & Electric Company (the "Company") and the State Street Bank and Trust Company, as Trustee, the Company hereby amends the Agreement as follows (additions are underlined, deletions are struck through):

1. **Amend the last sentence of Section 4.06 as follows:**

Shown as:

"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(e)(21) or successor provision, applicable to the Master Trust."

Amend to:

"The Trustee shall advise the Company and the Committee, by means of such monthly report, 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 468A(e)(4)(C), or successor provision, or any CPUC Order filed with the Trustee by the Committee which contains investment restrictions applicable to the Master Trust. In addition, prior to provision of the monthly report, if the Trustee has knowledge of an investment, and knows that such investment violates investment restrictions applicable to the Trust, the Trustee shall notify the Company and the Committee as soon as reasonably possible.

2. **Amend the second paragraph of Section 4.07 as follows:**

Shown as:

"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 (e)(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 outline in Code Section 501(e)(21) was made by or was in the power and control of the Trustee as provided by this Agreement.~~"

Amend to:

"Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for 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 where the act giving rise to the imposition of any tax pursuant to Section 4951 of the Code was made by or was in the power and control of the Trustee as provided by this Agreement."

3. **Amend Subsection (1) of Section 7.02 as follows:**

Shown as:

"(1) unless such investment is permitted to be made by Code Sections ~~501(e)(21)(B)(ii)~~ and 468(e)(4)(C), the regulations thereunder, and any applicable successor provisions; or"

Amended to:

"(1) unless such investment is permitted to be made by Code Section 468(e)(4)(C), the regulations thereunder, and any applicable successor provisions and any CPUC Order filed with the Trustee by the Committee which contains investment restrictions applicable to the Master Trust; or"

4. **Amend the second paragraph of Article 7.03 as follows:**

Shown as:

"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 468(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(e)(21) and any applicable successor provision.~~"

Amend to:

"Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not authorize or carry out 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 468(e)(5) of the Code, any regulations thereunder, and any applicable successor provision."

IN WITNESS WHEREOF, the Company, the California Public Utilities Commission, and the Trustee have set their hands and seals to this Amendment to the Agreement as of September 30, 1994.

SAN DIEGO GAS & ELECTRIC COMPANY

By: [Signature]

Title: _____

Attest: [Signature]

Title: _____

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: [Signature]

NEAL SHULMAN

Title: EXECUTIVE DIRECTOR

Attest: [Signature]
PHYLLIS WHITE

Title: PUBLIC UTILITY REGULATORY ANALYST V

Accepted:

STATE STREET BANK AND TRUST COMPANY

By: [Signature]

JOHN S. CONNOLLY

Title: VICE PRESIDENT

Attest: [Signature]

Title: [Signature]

**SECOND AMENDMENT TO THE
SAN DIEGO GAS & ELECTRIC COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC
DECOMMISSIONING MASTER TRUST
AGREEMENT FOR SAN ONOFRE
NUCLEAR GENERATING STATIONS**

This Amendment is entered into as of the 29 day of December, 1994, by and between San Diego Gas & Electric Company, a corporation duly organized and existing under the laws of the State of California, and having its principal office at 101 Ash Street, San Diego, California 92101-3017 (the "Company"), and State Street Bank and Trust Company, as Trustee, having its principal office at 1 Enterprise Drive, Quincy, Massachusetts 01171 (the "Trustee").

WHEREAS, the Company and the Trustee have entered into that certain Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Stations dated June 29, 1992 (the "Qualified Trust Agreement"), pursuant to which, among other things, the Company established the Funds for the exclusive purpose of providing for the decommissioning of the Plants and to constitute qualified nuclear decommissioning reserve funds;

WHEREAS, in section 2.12 of the Qualified Trust Agreement, the parties specifically reserve the right to amend the Qualified Trust Agreement;

WHEREAS, the parties wish to reaffirm their intention that the term "Master Trust," as used throughout the Qualified Trust Agreement, shall refer simply to the aggregation of the Funds; and

WHEREAS, the parties desire to ensure that any pooling of assets of the Funds, in accordance with Section 2.06(1) of the Qualified Trust Agreement, does not create an association taxable as a corporation within the meaning of Treasury Regulations (26 C.F.R.) Section 301.7701-2(a);

NOW, THEREFORE, the parties hereby agree as follows:

1. Paragraph 20 of Section 1.01 is amended to read as follows:
"(20) 'Master Trust' shall be used merely to refer to the Funds in the aggregate and is not intended nor should it be construed to constitute a separate entity."
2. Paragraph (a) of Section 1.04 shall be deleted and Paragraph (b) shall be redesignated as Paragraph (a).
3. Paragraph (c) of Section 1.04 shall be designated as Paragraph (b) and amended to read as follows:
"(b) appoints State Street Bank and Trust Company as Trustee of each of the Funds."
4. Section 2.06(1) of the Qualified Trust Agreement is hereby amended to read as follows:
"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. Any pooling arrangement undertaken as permitted in this Section 2.06(1) can be terminated at any time by any Fund. No Fund in a pooling arrangement may substitute for itself in such arrangement any person that is not a member of that pooling arrangement.

5. Except as expressly amended hereby, the Qualified Trust Agreement is hereby restated, confirmed and ratified in all respects and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound hereby, have executed this Amendment as of the date first above written.

SAN DIEGO GAS & ELECTRIC COMPANY

By: J. E. Klein

ATTEST:

Carmenaz

STATE STREET BANK & TRUST COMPANY

By: J. W. Smith V.P.

ATTEST:

John R. A.S.

**AMENDMENT NO. 3 TO THE
SAN DIEGO GAS & ELECTRIC COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC
DECOMMISSIONING MASTER TRUST
AGREEMENT FOR SAN ONOFRE
NUCLEAR GENERATING STATIONS**

This Amendment is entered into as of the 1st day of March, 1996, by and between San Diego Gas & Electric Company, a corporation duly organized and existing under the laws of the State of California, and having its principal office at 101 Ash Street, San Diego, California 92101-3017 (the "Company"), and State Street Bank and Trust Company, as Trustee, having its principal office at 1 Enterprise Drive, Quincy, Massachusetts 01171 (the "Trustee").

WHEREAS, Pursuant to Section 2.12 of the Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement dated June 29, 1992 (the "Agreement") between San Diego Gas & Electric Company (the "Company") and the State Street Bank and Trust Company, as Trustee, the Company hereby amends the Agreement as follows;

NOW, THEREFORE, the parties agree as follows:

1. The representations set forth above are incorporated herein by this reference thereto.
2. The Agreement shall be amended by restating the first paragraph of Section 4.03 to read:

"The Trustee shall be entitled to a compensation from the Master Trust as shown on Exhibit C₁ attached hereto."

3. The Agreement shall be amended by restating the first sentence of the second paragraph of Section 4.03 as follows:

"This fee schedule is effective through December 31, 1997 and may be extended with the approval of the Trustee."

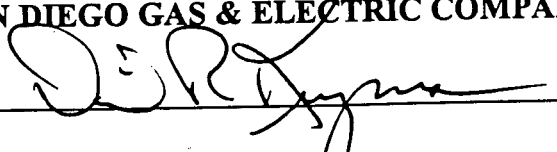
4. The Agreement shall be amended by restating the first and second sentences of the fourth paragraph of section 4.03 to read as follows:

"This fee schedule shall be effective through December 31, 1997 for all assets placed under the Trustee's investment discretion. After January 1, 1998, the fee schedule for assets placed under the Trustee's investment discretion shall be subject to renegotiation."

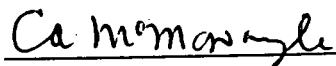
5. Except as set forth herein, the Agreement is hereby ratified and confirmed and remains in full force and effect.

IN WITNESS WHEREOF, the Company, the California Public Utilities Commission, and the Trustee have set their Hands and seals to this Amendment to the Agreement as of March 1, 1996.

SAN DIEGO GAS & ELECTRIC COMPANY

By: 

Title: Sr. Vice President, CFO & Treasurer

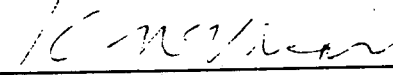
Attest: 

Title: Manager - Financial Services

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: 

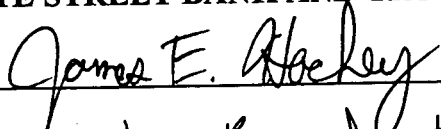
Title: EXECUTIVE DIRECTOR

Attest: 

Title: ASST. DIRECTOR, CACD

Accepted:

STATE STREET BANK AND TRUST COMPANY

By: 

Title: Vice President

Attest: 

Title: SCOTT A. ROY
ASSISTANT SECRETARY

STATE STREET BANK AND TRUST COMPANY
MASTER TRUST SERVICES FEE SCHEDULE FOR
SAN DIEGO GAS & ELECTRIC NDT

FIXED INCOME PORTFOLIO

I. TRUST/CUSTODY CHARGES

The following charges will be assessed on the month-end net asset value in U.S. dollars:

.50 of one (1) basis point per annum to act as Custodial Trustee

II. PORTFOLIO ADMINISTRATION (ACCOUNTING, RECORDKEEPING & REPORTING)

\$6,000 per portfolio per annum

III. PORTFOLIO ACTIVITY

\$15.00 per depository trade (DTC, FED, PTC)

\$35.00 per physical trade

EQUITY PORTFOLIO

I. TRUST/CUSTODY CHARGES

The following charges will be assessed on the month-end domestic security holdings:

\$40.00 per holding per annum

II. PORTFOLIO ADMINISTRATION (ACCOUNTING, RECORDKEEPING & REPORTING)

\$ 5,000 per portfolio per annum (SSGA managed)

\$15,000 per portfolio per annum (external manager)

III. PORTFOLIO ACTIVITY

\$13.00 per depository trade (DTC, FED, PTC)

\$15.00 per depository trade (DTC, FED, PTC)

\$35.00 per physical trade

INTERNATIONAL PORTFOLIO

I. TRUST/CUSTODY CHARGES

The following charges will be assessed on the month-end net asset value in U.S. dollars:

Global Assets @ eighteen (18) basis points per annum

II. PORTFOLIO ADMINISTRATION (ACCOUNTING, RECORDKEEPING & REPORTING)

\$50,000 per portfolio per annum

III. PORTFOLIO ACTIVITY

International Sub-Custodian Charges

	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>	<u>Group E</u>
Transaction (\$)	25	45	60	70	100
Holdings (bp)*	1.25	3.50	5.25	16.0	45.0
	Australia	Austria	Finland	Brazil	Argentina
	Canada	Belgium	Indonesia	China	Bangladesh
	Cedel	Hong Kong	Ireland	Czech	Botswana
	Denmark	Netherlands	Luxembourg	Egypt	Chile
	Euroclear	Norway	Malaysia	Jamaica	Columbia
	France	Sweden	Mexico	So. Korea	Cyprus
	Germany		Singapore	Philippines	Ecuador
	Italy		Thailand	Portugal	Ghana
	Japan			Sri Lanka	Greece
	Namibia			Taiwan	Hungary
	New Zealand			Turkey	India
	So. Africa				Israel
	Spain				Jordan
	Switzerland				Kenya
	United Kingdom				Morocco
					Pakistan
					Peru
					Poland
					Tunisia
					Uruguay
					Venezuela
					Zambia
					Zimbabwe

* Based on the month-end value in U.S. dollars

OTHER CHARGES (Only if Applicable)

* **Plant (Plan) Accounting**

\$735.00 per plant (plan) per annum

* **Short Term Investment Fund**

Annual administrative/management fees are netted out of yield

* **Out-of-Pockets**

Out-of-Pockets such as wires, courier, and communication charges are borne by the client

* **Stamp Duty and Registration**

Expenses paid to a third party for stamp duty and registration will be billed to the client

* **Foreign Exchange**

A charge of \$75.00 will be assessed for each foreign exchange executed through a third party

ANALYTICS SERVICES

* **Performance Measurement**

\$2,500 Per Portfolio

* **Investment Compliance Monitoring**

\$750 Per Portfolio

STATE STREET BANK AND TRUST COMPANY
MASTER TRUST SERVICES FEE SCHEDULE FOR
SAN DIEGO GAS & ELECTRIC NDT

DOMESTIC PRO FORMA

TRUST/CUSTODY CHARGES

Fixed Income

SGE2 Brown Brothers	19,900,000 * .50 bp	995.00
SGE3 Brown Brothers	49,769,000 * .50 bp	2,488.00
SGE4 Delaware	88,438,000 * .50 bp	<u>4,422.00</u>
		7,905.00

Equity

SGE1 Fidelity	230 Holdings * \$40.00	9,200.00
SGE6 State Street Global Advisors	600 Holdings * \$40.00	<u>24,000.00</u>
		33,200.00

PORTFOLIO ADMINISTRATION

SGE1 Fidelity		15,000.00
SGE2 Brown Brothers		6,000.00
SGE3 Brown Brothers		6,000.00
SGE4 Delaware		6,000.00
SGE6 State Street Global Advisors		<u>5,000.00</u>
		38,000.00

PORTFOLIO ACTIVITY

SGE1 Fidelity	660 trades * \$15.00	9,900.00
SGE2 Brown Brothers	30 trades * \$15.00	450.00
SGE3 Brown Brothers	30 trades * \$15.00	450.00
SGE4 Delaware	60 trades * \$15.00	900.00
SGE6 State Street Global Advisors	425 trades * \$13.00	<u>5,525.00</u>
		17,225.00

TOTAL 96,330.00

ANALYTICS

5 Portfolios * (3,250.00)	<u>16,250.00</u>
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STATE STREET BANK AND TRUST COMPANY
MASTER TRUST SERVICES FEE SCHEDULE FOR
SAN DIEGO GAS & ELECTRIC NDT

INTERNATIONAL PRO FORMA

TRUST/CUSTODY CHARGES

Equity

SGE7 State Street Global Advisors	25,000,000 * 18 BP	45,000.00
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PORTFOLIO ADMINISTRATION

SGE7 State Street Global Advisors		50,000.00
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PORTFOLIO ACTIVITY

SGE7 State Street Global Advisors	100 trades * \$35.00	3,500.00
	25,000,000* 3 BP	<u>7,500.00</u>

TOTAL	106,000.00
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ANALYTICS

1 Portfolios * (3,250.00)	3,250.00
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STATE STREET BANK AND TRUST COMPANY
MASTER TRUST SERVICES FEE SCHEDULE FOR
SAN DIEGO GAS & ELECTRIC NDT

I. TRUSTEE/CUSTODIAN CHARGES

The following charges will be assessed on the month-end net asset value in U.S. dollars:

.50 of one (1) basis point per annum to act as Custodial Trustee

II. PORTFOLIO ACCOUNTING, RECORDKEEPING & REPORTING

* \$ 6,000 per domestic portfolio per annum

III. PORTFOLIO ACTIVITY

U.S.

\$ 15.00 per depository trade (DTC, Fed, PTC)

\$ 55.00 per physical trade

\$ 18.00 per time deposit (third party only)

IV. OTHER CHARGES (Only if Applicable)

o Plan Accounting

\$540.00 per plan per year

o Short-Term Investment Fund

All annual administrative/management fees are netted out of the yield.

o Out-of-Pockets

Out-of-pockets such as wires, courier, and communication charges are born by the client.

V. ANALYTICS SERVICES

o Performance Measurement (Asset Class - Before and After Taxes)

* \$ 2,500 per portfolio per year

o Black lung monitoring (monthly)

* \$ 750 per portfolio per year

* Charge for one portfolio waived

SAN DIEGO GAS & ELECTRIC CO.

FEE ESTIMATE¹

I.	<u>TRUSTEE CHARGE</u>	
	.50 of one (1) basis point (on assumed \$128M asset value)	\$ 6,405
II.	<u>PORTFOLIO ACCOUNTING</u>	
	4 @ \$6,000 each (1 portfolio waived based on set-up: only 3 managers)	\$18,000
III.	<u>PORTFOLIO ACTIVITY</u>	
	\$15.00 per DTC trade (934 x)	\$14,010
IV.	<u>PLANT ACCOUNTING</u>	
	3 @ \$540 each	\$ 1,620
	TOTAL	\$40,035

OPTIONAL SERVICES:

Tax Preparation

@ \$1,400 per Federal return
@ \$ 900 per State return

State Street Analytics

Performance Measurement (Asset
Class - Before and After Taxes)
@ \$2,500 per portfolio x 3 =

\$ 7,500

Black Lung Monitoring

Monthly @ \$750 per portfolio x 3 =
Daily @ \$1,500 per portfolio

\$ 2,250

Board Reports

Estimate

\$ 6,000

¹Based on current asset value.

AMENDMENT NO. 4 TO THE
SAN DIEGO GAS & ELECTRIC COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC
DECOMMISSIONING MASTER TRUST
AGREEMENT FOR SAN ONFORE
NUCLEAR GENERATING STATIONS

This Amendment No. 4 is entered into as of the 23rd day of December, 1996, by and between San Diego Gas & Electric Company, a corporation duly organized and existing under the laws of the State of California, and having its principal office at 101 Ash Street, San Diego, California 92101-3017 (the "Company"), and State Street Bank and Trust Company, as Trustee, having its principal office at 1 Enterprise Drive, Quincy, Massachusetts 02171 (the "Trustee").

Pursuant to Section 2.12 of the Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement dated June 29, 1992 (the "Agreement") between San Diego Gas & Electric Company (the "Company") and State Street Bank and Trust Company, as Trustee, the parties agree to amend the Agreement as follows:

1. The representations set forth above are incorporated herein by this reference thereto.
2. Section 1.03 of the Agreement is amended and restated to read as follows:

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. Assets of the Funds must be used as authorized by Section 468A of the Code and the regulations thereunder.

3. The first paragraph of Section 2.12 of the Agreement is amended and restated to read as follows:

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 the trust. This Agreement may not be amended so as to violate Section 468A of the Code or the regulations thereunder.

4. The second page of Exhibit C₁ of the Agreement, the Fee Schedule relating to the International Portfolio, is replaced with the revised second page attached hereto.

5. The first sentence of the second paragraph of Section 4.03 is amended and restated to read as follows:

This fee schedule is effective through December 31, 1997 and may be extended with the approval of the Trustee.

6. The first and second sentences of the fourth paragraph of Section 4.03 are amended and restated as follows:

This fee schedule shall be effective through December 31, 1997 for all assets placed under the Trustee's investment discretion. After January 1, 1998, the fee schedule for assets placed under the Trustee's investment discretion shall be subject to renegotiation."

7. Except as set forth herein, the Agreement is hereby ratified and confirmed and remain in full force and effect.

SAN DIEGO GAS & ELECTRIC
COMPANY

By: [Signature]
Senior Vice President,
Title: CFO & Treasurer

Attest: _____

Title: _____

STATE STREET BANK AND
TRUST COMPANY

By: [Signature]
ROBERT HANNIGAN
Title: VICE PRESIDENT

Attest: [Signature]

SCOTT A. ROY
Title: ASSISTANT SECRETARY

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: [Signature]
Wesley M. Franklin
Title: EXECUTIVE DIRECTOR

Attest: [Signature]

Title: ASST. DIRECTOR

INTERNATIONAL PORTFOLIO

Exhibit C₁

I. TRUST/CUSTODY CHARGES

The following charges will be assessed on the month-end net asset value in U.S. dollars:

Global Assets @ fourteen (14) basis points per annum

II. PORTFOLIO ADMINISTRATION (ACCOUNTING, RECORDKEEPING & REPORTING)

\$20,000 per portfolio per annum

III. PORTFOLIO ACTIVITY

International Sub-Custodian Charges

	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>	<u>Group E</u>
Transaction (\$)	25	45	60	70	100
Holdings (bp)*	1.25	3.50	5.25	16.0	45.0
	Australia Canada Cedel Denmark Euroclear France Germany Italy Japan Namibia New Zealand So. Africa Spain Switzerland United Kingdom	Austria Belgium Hong Kong Netherlands Norway Sweden	Finland Indonesia Ireland Luxembourg Malaysia Mexico Singapore Thailand	Brazil China Czech Egypt Jamaica So. Korea Philippines Portugal Sri Lanka Taiwan Turkey	Argentina Bangladesh Botswana Chile Columbia Cyprus Ecuador Ghana Greece Hungary India Israel Jordan Kenya Morocco Pakistan Peru Poland Tunisia Uruguay Venezuela Zambia Zimbabwe

* Based on the month-end value in U.S. dollars

AMENDMENT NO. 5 TO THE
SAN DIEGO GAS & ELECTRIC COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC
DECOMMISSIONING MASTER TRUST
AGREEMENT FOR SAN ONOFRE
NUCLEAR GENERATING STATIONS

Exhibit 1

This Amendment is entered into as of the 26 day of December, 1997, by and between San Diego Gas & Electric Company, a corporation duly organized and existing under the laws of the State of California, and having its principal office at 101 Ash Street, San Diego, California 92101-3017 (the "Company"), and State Street Bank and Trust Company, as Trustee, having its principal office at 1 Enterprise Drive, Quincy, Massachusetts 01171 (the "Trustee").

WHEREAS, in Section 2.12 of the Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement dated June 29, 1992 (the "Agreement") between the Company and Trustee, the parties specifically reserve the right to amend the Agreement; and

WHEREAS, the San Diego Gas & Electric Company Nuclear Facilities Decommissioning Master Trust Committee has authorized the amendment of the Agreement and the California Public Utilities Commission filing and review process has been completed with no objections;

NOW, THEREFORE, the parties agree as follows:

1. The recitals set forth above are incorporated herein by this reference thereto.
2. The Agreement shall be amended by restating Section 2.01 (5) to read in its entirety:

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. *One year* [~~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).

Prior to the issuance of an Interim Disbursement order, the Trustee is authorized to pay up to 3 percent of the amount specified in paragraph 50.75 of Title 10 of the Code of Federal Regulations for decommissioning planning purposes upon receipt of a Disbursement Certificate or a Withdrawal Certificate meeting the requirements of Section 2.01 (4) (a)-(c).

3. Except as expressly amended hereby, the Agreement is hereby restated, confirmed, and ratified in all respects and shall remain in full force and effect.

4. Capitalized terms used herein and not otherwise defined shall have the definitions ascribed thereto in the agreement.

IN WITNESS WHEREOF, the Company, the California Public Utilities Commission, and the Trustee have set their Hands and seals to this Amendment to the Agreement as of _____, 1997.

SAN DIEGO GAS & ELECTRIC COMPANY

By: _____

Title: _____

Attest: _____

Title: _____

Accepted:

STATE STREET BANK AND TRUST COMPANY

By: _____

Title: _____

Attest: _____

Title: _____

Approved and Accepted:

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: _____

Title: _____

Attest: _____

Title: _____

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

NUCLEAR FACILITIES NON-QUALIFIED CPUC DECOMMISSIONING
MASTER TRUST AGREEMENT

AGREEMENT made this 29 day of JUNE, 1992, by and between San Diego Gas & Electric Company, a California corporation ("Company"), and State Street Bank and Trust Company, a Massachusetts 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

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 _____, 1992; 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:

I

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 State Street Bank and Trust Company 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

- CONFIDENTIAL
- (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).

(C) 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 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 from the date assets are initially contributed to the Company's nuclear decommissioning Master Trust until December 31, 1994. Nothing herein shall preclude renegotiation of the foregoing fee schedule due to significantly changed circumstances, provided, however, that any increase 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 C.

This fee schedule shall be effective through December 31, 1994 for all assets placed under the Trustee's investment discretion. After January 1, 1995, the fee schedule for assets placed under the Trustee's investment discretion shall be subject to renegotiation. Any increase in 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 Code 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.

V

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, 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.

- 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 92112-4150

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

If to the Trustee:

State Street Bank and Trust Company
Master Trust Division
Solomon Willard Building
1 Enterprise Drive
Quincy, Massachusetts 02171

Attention: Trust Officer

If to the CPUC:

California Public Utilities Commission
505 Van Ness Avenue, Room 5025
San Francisco, California 94102-3298

Attention: Executive Director

If to the CPUC Staff:

California Public Utilities Commission
505 Van Ness Avenue, Room _____
San Francisco, California 94102-3298

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: George Decker

Attest: 

Title: Acting Chief, Finance Branch, CACD

SAN DIEGO GAS & ELECTRIC COMPANY

By: 

Title: Treasurer

Attest: 

Title: SECRETARY

STATE STREET BANK AND TRUST COMPANY

By: 

Title: TRUST OFFICER

Attest: 

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 _____, 1992, 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 _____, 1992, 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] 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

STATE STREET BANK AND TRUST COMPANY
MASTER TRUST SERVICES FEE SCHEDULE FOR
SAN DIEGO GAS & ELECTRIC NDT

I. TRUSTEE/CUSTODIAN CHARGES

The following charges will be assessed on the month-end net asset value in U.S. dollars:

.50 of one (1) basis point per annum to act as Custodial Trustee

II. PORTFOLIO ACCOUNTING, RECORDKEEPING & REPORTING

* \$ 6,000 per domestic portfolio per annum

III. PORTFOLIO ACTIVITY

U.S.

\$ 15.00 per depository trade (DTC, Fed, PTC)

\$ 55.00 per physical trade

\$ 18.00 per time deposit (third party only)

IV. OTHER CHARGES (Only if Applicable)

o Plan Accounting

\$540.00 per plan per year

o Short-Term Investment Fund

All annual administrative/management fees are netted out of the yield.

o Out-of-Pockets

Out-of-pockets such as wires, courier, and communication charges are born by the client.

V. ANALYTICS SERVICES

o Performance Measurement (Asset Class - Before and After Taxes)

* \$ 2,500 per portfolio per year

o Black lung monitoring (monthly)

* \$ 750 per portfolio per year

* Charge for one portfolio waived

SAN DIEGO GAS & ELECTRIC CO.

FEE ESTIMATE¹

I.	<u>TRUSTEE CHARGE</u>	
	.50 of one (1) basis point (on assumed \$128M asset value)	\$ 6,405
II.	<u>PORTFOLIO ACCOUNTING</u>	
	4 @ \$6,000 each (1 portfolio waived based on set-up: only 3 managers)	\$18,000
III.	<u>PORTFOLIO ACTIVITY</u>	
	\$15.00 per DTC trade (934 x)	\$14,010
IV.	<u>PLANT ACCOUNTING</u>	
	3 @ \$540 each	\$ 1,620
	TOTAL	<u>\$40,035</u>
	<u>OPTIONAL SERVICES:</u>	
	<u>Tax Preparation</u>	
	@ \$1,400 per Federal return	
	@ \$ 900 per State return	
	<u>State Street Analytics</u>	
	Performance Measurement (Asset Class - Before and After Taxes)	
	@ \$2,500 per portfolio x 3 =	\$ 7,500
	<u>Black Lung Monitoring</u>	
	Monthly @ \$750 per portfolio x 3 =	\$ 2,250
	Daily @ \$1,500 per portfolio	
	<u>Board Reports</u>	
	Estimate	\$ 5,000

¹Based on current asset value.

INVESTMENT MANAGEMENT

FEE SCHEDULE

50 Basis points for the first \$50,000,000
40 Basis points for the next \$150,000,000
30 Basis points thereafter

**AMENDMENT NO. 1 TO THE
SAN DIEGO GAS & ELECTRIC COMPANY
NUCLEAR FACILITIES NON-QUALIFIED CPUC
DECOMMISSIONING MASTER TRUST
AGREEMENT FOR SAN ONOFRE
NUCLEAR GENERATING STATIONS**

This Amendment is entered into as of the 1st day of March, 1996, by and between San Diego Gas & Electric Company, a corporation duly organized and existing under the laws of the State of California, and having its principal office at 101 Ash Street, San Diego, California 92101-3017 (the "Company"), and State Street Bank and Trust Company, as Trustee, having its principal office at 1 Enterprise Drive, Quincy, Massachusetts 01171 (the "Trustee").

WHEREAS, Pursuant to Section 2.12 of the Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement dated June 29, 1992 (the "Agreement") between San Diego Gas & Electric Company (the "Company") and the State Street Bank and Trust Company, as Trustee, the Company hereby amends the Agreement as follows;

NOW, THEREFORE, the parties agree as follows:

1. The representations set forth above are incorporated herein by this reference thereto.
2. The Agreement shall be amended by restating the first paragraph of Section 4.03 to read:

"The Trustee shall be entitled to a compensation from the Master Trust as shown on Exhibit C, attached hereto."

3. The Agreement shall be amended by restating the first sentence of the second paragraph of Section 4.03 as follows:

"This fee schedule is effective through December 31, 1997 and may be extended with the approval of the Trustee."

4. The Agreement shall be amended by restating the first and second sentences of the fourth paragraph of section 4.03 to read as follows:

"This fee schedule shall be effective through December 31, 1997 for all assets placed under the Trustee's investment discretion. After January 1, 1998, the fee schedule for assets placed under the Trustee's investment discretion shall be subject to renegotiation."

5. Except as set forth herein, the Agreement is hereby ratified and confirmed and remains in full force and effect.

IN WITNESS WHEREOF, the Company, the California Public Utilities Commission, and the
Trustee have set their Hands and seals to this Amendment to the Agreement as of
March 1, 1996.

SAN DIEGO GAS & ELECTRIC COMPANY

By: 

Title: Sr. Vice President, CFO & Treasurer

Attest: Ca M. Monagle

Title: Manager - Financial Services

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: 

Title: EXECUTIVE DIRECTOR

Attest: 

Title: ASST. DIRECTOR, CACD

Accepted:

STATE STREET BANK AND TRUST COMPANY

By: 

Title: Vice President

Attest: 

Title: SCOTT A. ROY
ASSISTANT SECRETARY

STATE STREET BANK AND TRUST COMPANY
MASTER TRUST SERVICES FEE SCHEDULE FOR
SAN DIEGO GAS & ELECTRIC NDT

FIXED INCOME PORTFOLIO

I. TRUST/CUSTODY CHARGES

The following charges will be assessed on the month-end net asset value in U.S. dollars:

.50 of one (1) basis point per annum to act as Custodial Trustee

II. PORTFOLIO ADMINISTRATION (ACCOUNTING, RECORDKEEPING & REPORTING)

\$6,000 per portfolio per annum

III. PORTFOLIO ACTIVITY

\$15.00 per depository trade (DTC, FED, PTC)

\$35.00 per physical trade

EQUITY PORTFOLIO

I. TRUST/CUSTODY CHARGES

The following charges will be assessed on the month-end domestic security holdings:

\$40.00 per holding per annum

II. PORTFOLIO ADMINISTRATION (ACCOUNTING, RECORDKEEPING & REPORTING)

\$ 5,000 per portfolio per annum (SSGA managed)

\$15,000 per portfolio per annum (external manager)

III. PORTFOLIO ACTIVITY

\$13.00 per depository trade (DTC, FED, PTC)

\$15.00 per depository trade (DTC, FED, PTC)

\$35.00 per physical trade

INTERNATIONAL PORTFOLIO

I. TRUST/CUSTODY CHARGES

The following charges will be assessed on the month-end net asset value in U.S. dollars:

Global Assets @ eighteen (18) basis points per annum

II. PORTFOLIO ADMINISTRATION (ACCOUNTING, RECORDKEEPING & REPORTING)

\$50,000 per portfolio per annum

III. PORTFOLIO ACTIVITY

International Sub-Custodian Charges

	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>	<u>Group E</u>
Transaction (\$)	25	45	60	70	100
Holdings (bp)*	1.25	3.50	5.25	16.0	45.0
	Australia	Austria	Finland	Brazil	Argentina
	Canada	Belgium	Indonesia	China	Bangladesh
	Cedel	Hong Kong	Ireland	Czech	Botswana
	Denmark	Netherlands	Luxembourg	Egypt	Chile
	Euroclear	Norway	Malaysia	Jamaica	Columbia
	France	Sweden	Mexico	So. Korea	Cyprus
	Germany		Singapore	Philippines	Ecuador
	Italy		Thailand	Portugal	Ghana
	Japan			Sri Lanka	Greece
	Namibia			Taiwan	Hungary
	New Zealand			Turkey	India
	So. Africa				Israel
	Spain				Jordan
	Switzerland				Kenya
	United Kingdom				Morocco
					Pakistan
					Peru
					Poland
					Tunisia
					Uruguay
					Venezuela
					Zambia
					Zimbabwe

* Based on the month-end value in U.S. dollars

OTHER CHARGES (Only if Applicable)

* **Plant (Plan) Accounting**

\$735.00 per plant (plan) per annum

* **Short Term Investment Fund**

Annual administrative/management fees are netted out of yield

* **Out-of-Pockets**

Out-of-Pockets such as wires, courier, and communication charges are borne by the client

* **Stamp Duty and Registration**

Expenses paid to a third party for stamp duty and registration will be billed to the client

* **Foreign Exchange**

A charge of \$75.00 will be assessed for each foreign exchange executed through a third party

ANALYTICS SERVICES

* **Performance Measurement**

\$2,500 Per Portfolio

* **Investment Compliance Monitoring**

\$750 Per Portfolio

STATE STREET BANK AND TRUST COMPANY
MASTER TRUST SERVICES FEE SCHEDULE FOR
SAN DIEGO GAS & ELECTRIC NDT

DOMESTIC PRO FORMA

TRUST/CUSTODY CHARGES

Fixed Income

SGE2 Brown Brothers	19,900,000 * .50 bp	995.00
SGE3 Brown Brothers	49,769,000 * .50 bp	2,488.00
SGE4 Delaware	88,438,000 * .50 bp	<u>4,422.00</u>
		7,905.00

Equity

SGE1 Fidelity	230 Holdings * \$40.00	9,200.00
SGE6 State Street Global Advisors	600 Holdings * \$40.00	<u>24,000.00</u>
		33,200.00

PORTFOLIO ADMINISTRATION

SGE1 Fidelity		15,000.00
SGE2 Brown Brothers		6,000.00
SGE3 Brown Brothers		6,000.00
SGE4 Delaware		6,000.00
SGE6 State Street Global Advisors		<u>5,000.00</u>
		38,000.00

PORTFOLIO ACTIVITY

SGE1 Fidelity	660 trades * \$15.00	9,900.00
SGE2 Brown Brothers	30 trades * \$15.00	450.00
SGE3 Brown Brothers	30 trades * \$15.00	450.00
SGE4 Delaware	60 trades * \$15.00	900.00
SGE6 State Street Global Advisors	425 trades * \$13.00	<u>5,525.00</u>
		17,225.00

TOTAL 96,330.00

ANALYTICS

5 Portfolios * (3,250.00)	<u>16,250.00</u>
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STATE STREET BANK AND TRUST COMPANY
MASTER TRUST SERVICES FEE SCHEDULE FOR
SAN DIEGO GAS & ELECTRIC NDT

INTERNATIONAL PRO FORMA

TRUST/CUSTODY CHARGES

Equity

SGE7 State Street Global Advisors	25,000,000 * 18 BP	45,000.00
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PORTFOLIO ADMINISTRATION

SGE7 State Street Global Advisors		50,000.00
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PORTFOLIO ACTIVITY

SGE7 State Street Global Advisors	100 trades * \$35.00	3,500.00
	25,000,000* 3 BP	<u>7,500.00</u>

TOTAL	106,000.00
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ANALYTICS

1 Portfolios * (3,250.00)	3,250.00
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SAN DIEGO GAS & ELECTRIC CO.

FEE ESTIMATE¹

I.	<u>TRUSTEE CHARGE</u>	
	.50 of one (1) basis point (on assumed \$128M asset value)	\$ 6,405
II.	<u>PORTFOLIO ACCOUNTING</u>	
	4 @ \$6,000 each (1 portfolio waived based on set-up: only 3 managers)	\$18,000
III.	<u>PORTFOLIO ACTIVITY</u>	
	\$15.00 per DTC trade (934 x)	\$14,010
IV.	<u>PLANT ACCOUNTING</u>	
	3 @ \$540 each	\$ 1,620
	TOTAL	<u>\$40,035</u>
	<u>OPTIONAL SERVICES:</u>	
	<u>Tax Preparation</u>	
	@ \$1,400 per Federal return	
	@ \$ 900 per State return	
	<u>State Street Analytics</u>	
	Performance Measurement (Asset Class - Before and After Taxes)	
	@ \$2,500 per portfolio x 3 =	\$ 7,500
	<u>Black Lung Monitoring</u>	
	Monthly @ \$750 per portfolio x 3 =	\$ 2,250
	Daily @ \$1,500 per portfolio	
	<u>Board Reports</u>	
	Estimate	\$ 6,000

¹Based on current asset value.

STATE STREET BANK AND TRUST COMPANY
MASTER TRUST SERVICES FEE SCHEDULE FOR
SAN DIEGO GAS & ELECTRIC NDT

I. TRUSTEE/CUSTODIAN CHARGES

The following charges will be assessed on the month-end net asset value in U.S. dollars:

.50 of one (1) basis point per annum to act as Custodial Trustee

II. PORTFOLIO ACCOUNTING, RECORDKEEPING & REPORTING

* \$ 6,000 per domestic portfolio per annum

III. PORTFOLIO ACTIVITY

U.S.

\$ 15.00 per depository trade (DTC, Fed, PTC)

\$ 55.00 per physical trade

\$ 18.00 per time deposit (third party only)

IV. OTHER CHARGES (Only if Applicable)

o Plan Accounting

\$540.00 per plan per year

o Short-Term Investment Fund

All annual administrative/management fees are netted out of the yield.

o Out-of-Pockets

Out-of-pockets such as wires, courier, and communication charges are born by the client.

V. ANALYTICS SERVICES

o Performance Measurement (Asset Class - Before and After Taxes)

* \$ 2,500 per portfolio per year

o Black lung monitoring (monthly)

* \$ 750 per portfolio per year

* Charge for one portfolio waived

AMENDMENT NO. 2 TO THE
SAN DIEGO GAS & ELECTRIC COMPANY
NUCLEAR FACILITIES NON-QUALIFIED CPUC
DECOMMISSIONING MASTER TRUST
AGREEMENT FOR SAN ONOFRE
NUCLEAR GENERATING STATIONS

This Amendment No. 2 is entered into as of the 23rd day of December, 1996, by and between San Diego Gas & Electric Company, a corporation duly organized and existing under the laws of the State of California, and having its principal office at 101 Ash Street, San Diego, California 92101-3017 (the "Company"), and State Street Bank and Trust Company, as Trustee, having its principal office at 1 Enterprise Drive, Quincy, Massachusetts 02171 (the "Trustee").

Pursuant to Section 2.12 of the Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement dated June 29, 1992 (the "Agreement") between San Diego Gas & Electric Company (the "Company") and State Street Bank and Trust Company, as Trustee, the parties agree to amend the Agreement as follows:

1. The representations set forth above are incorporated herein by this reference thereto.
2. The second page of Exhibit C₁ of the Agreement, the Fee Schedule relating to the International Portfolio, is replaced with the revised second page attached hereto.
3. The first sentence of the second paragraph of Section 4.03 is amended and restated to read as follows:

This fee schedule is effective through December 31, 1997 and may be extended with the approval of the Trustee.

4. The first and second sentences of the fourth paragraph of Section 4.03 are amended and restated as follows:

This fee schedule shall be effective through December 31, 1997 for all assets placed under the Trustee's investment discretion. After January 1, 1998, the fee schedule for assets placed under the Trustee's investment discretion shall be subject to renegotiation."

5. Except as set forth herein, the Agreement is hereby ratified and confirmed and remains in full force and effect.

SAN DIEGO GAS & ELECTRIC
COMPANY

By: [Signature]
Senior Vice President,
Title: CFO & Treasurer

Attest: _____

Title: _____

STATE STREET BANK AND
TRUST COMPANY

By: [Signature]
ROBERT HARRISON
Title: VICE PRESIDENT

Attest: [Signature]

Title: SECRETARY

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: Wesley M. Fry
Title: EXECUTIVE DIRECTOR

Attest: JC McV...

Title: ASST DIRECTOR

INTERNATIONAL PORTFOLIO

Exhibit C,

I. TRUST/CUSTODY CHARGES

The following charges will be assessed on the month-end net asset value in U.S. dollars:

Global Assets @ fourteen (14) basis points per annum

II. PORTFOLIO ADMINISTRATION (ACCOUNTING, RECORDKEEPING & REPORTING)

\$20,000 per portfolio per annum

III. PORTFOLIO ACTIVITY

International Sub-Custodian Charges

	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>	<u>Group E</u>
Transaction (\$)	25	45	60	70	100
Holdings (bp)*	1.25	3.50	5.25	16.0	45.0
	Australia Canada Cedel Denmark Euroclear France Germany Italy Japan Namibia New Zealand So. Africa Spain Switzerland United Kingdom	Austria Belgium Hong Kong Netherlands Norway Sweden	Finland Indonesia Ireland Luxembourg Malaysia Mexico Singapore Thailand	Brazil China Czech Egypt Jamaica So. Korea Philippines Portugal Sri Lanka Taiwan Turkey	Argentina Bangladesh Botswana Chile Columbia Cyprus Ecuador Ghana Greece Hungary India Israel Jordan Kenya Morocco Pakistan Peru Poland Tunisia Uruguay Venezuela Zambia Zimbabwe

* Based on the month-end value in U.S. dollars

AMENDMENT NO. 3 TO THE
SAN DIEGO GAS & ELECTRIC COMPANY
NUCLEAR FACILITIES NON-QUALIFIED CPUC
DECOMMISSIONING MASTER TRUST
AGREEMENT FOR SAN ONOFRE
NUCLEAR GENERATING STATIONS

Exhibit 2

This Amendment is entered into as of the 26 day of December, 1997, by and between San Diego Gas & Electric Company, a corporation duly organized and existing under the laws of the State of California, and having its principal office at 101 Ash Street, San Diego, California 92101-3017 (the "Company"), and State Street Bank and Trust Company, as Trustee, having its principal office at 1 Enterprise Drive, Quincy, Massachusetts 01171 (the "Trustee").

WHEREAS, in Section 2.12 of the Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement dated June 29, 1992 (the "Agreement") between the Company and Trustee, the parties specifically reserve the right to amend the Agreement; and

WHEREAS, the San Diego Gas & Electric Company Nuclear Facilities Decommissioning Master Trust Committee has authorized the amendment of the Agreement and the California Public Utilities Commission filing and review process has been completed with no objections;

NOW, THEREFORE, the parties agree as follows:

1. The recitals set forth above are incorporated herein by this reference thereto.
2. The Agreement shall be amended by restating Section 2.01 (5) to read in its entirety:

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. *One year* [~~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).

Prior to the issuance of an Interim Disbursement order, the Trustee is authorized to pay up to 3 percent of the amount specified in paragraph 50.75 of Title 10 of the Code of Federal Regulations for decommissioning planning purposes upon receipt of a Disbursement Certificate or a Withdrawal Certificate meeting the requirements of Section 2.01 (4) (a)-(c).

3. Except as expressly amended hereby, the Agreement is hereby restated, confirmed, and ratified in all respects and shall remain in full force and effect.

4. Capitalized terms used herein and not otherwise defined shall have the definitions ascribed thereto in the agreement.

IN WITNESS WHEREOF, the Company, the California Public Utilities Commission, and the Trustee have set their Hands and seals to this Amendment to the Agreement as of _____, 1997.

SAN DIEGO GAS & ELECTRIC COMPANY

By: _____

Title: _____

Attest: _____

Title: _____

Accepted:

STATE STREET BANK AND TRUST COMPANY

By: _____

Title: _____

Attest: _____

Title: _____

Approved and Accepted:

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: _____

Title: _____

Attest: _____

Title: _____