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Mr. John B. Martin, Administrator
U. S. Nuclear Regulatory Commission, Region V
1450 Maria Lane, Suite 210
Walnut Creek, CA 94596-5368

Dear Mr. Martin:

Subject: **FERC Form No. 1 Reports**
Southern California Edison Company

In accordance with our recent telephone conversation, attached for your information are extracts from the subject reports covering the eleven years 1980 - 1990. The extracts include those pages from the reports which pertain to our nuclear expenses and investments.

Referring to the report for 1990, the following is provided by way of example.

Operating and Maintenance Expenses

1. Page 403A

   Edison's share of San Onofre and Palo Verde expenses are shown in columns (g) and (h), respectively. O&M is the amount shown at line 34, less the cost of fuel shown at line 21.

2. Page 403B

   Footnote A describes the nuclear units. Footnote B indicates the hours each unit was connected to the grid.

3. Page 320

   Total nuclear O&M, plus fuel expense, for Edison's share of San Onofre and Palo Verde is shown at line 40. This is the sum of costs by FERC account. It differs from the total shown by 1. above because of various allocations (e.g., property damage expense) which are included in the FERC accounts.

IE-01

We consider 1. above to be the appropriate expression of O&M expenditures. However, industry comparisons often are not clear as to which figures are being used.

Utility policies and practices can vary with respect to O&M accounting, which makes comparisons difficult. Units exclusively owned by one utility often follow different rules than do those with multiple participants.

Capital Expenditures

We do not believe valid conclusions can be drawn concerning capital spending by review of FERC Form No. 1 data. As indicated below, the data reflect year end status, rather than incremental investment for the year.

4. Page 337

Edison's depreciation expense for San Onofre and Palo Verde is shown in column (b).

5. Pages 216D - 216F

Edison's share of Construction Work In Progress (CWIP) is shown in column (b) for the multiple projects not yet included in rate base. In general, these projects extend over more than one year, until they are included in rate base when they disappear from the listing. Hence, it is not possible to determine actual spending levels without additional information. (We will provide that information during your next visit to San Onofre.)

In addition to incremental investments, the CWIP includes "retirement costs" and the interest on expenditures prior to inclusion in rate base (called Allowance for Funds Used During Construction, or AFUDC).

Utility policies and practices for capital accounting differ as for O&M, and often more so. For example, for some projects incremental transfers to rate base may occur (in order to stop accumulation of AFUDC interest) prior to completion, thus reducing the apparent project cost shown on these pages.

Even individual participants in the same project may show significantly different O&M and capital expenditures in their FERC Form No. 1 data. For example, SDG&E data are sometimes used to extrapolate San Onofre expenditures in Nucleonics Week, with unrecognizable results from Edison's viewpoint. Also, the accounting rules used by Edison in 1990 for capitalization of overhaul work are significantly different from those used by

Edison in 1980, making trends in expenditure sometimes difficult to determine.

Finally, with respect to San Onofre, the special circumstances related to Unit 1 during the decade make comparison with other sites impractical. Although we keep separate accounts for Unit 1 and for Units 2 and 3, these do not appear in the FERC reports.

Biennial Resource Plan Update

Also as we discussed, attached are two documents related to the recent issuance of a proposed decision in the CPUC BRPU proceeding which considered the cost effectiveness of continued operation of San Onofre Unit 1. The first is a press release in which Edison comments that the decision mandates $2 billion of unneeded new capacity. The second is a graph from the proposed decision.

In the graph, SCE2 represents Edison's preferred plan (i.e., no capacity additions through the end of the century, even with the shutdown of San Onofre Unit 1). SCE1 is a compromise that Edison suggested when no new capacity was determined to be an unacceptable program to the CPUC staff. CPUC represents the proposed decision. As you can see, it contains substantial wind and geothermal power, which are more expensive resources than continued operation of San Onofre Unit 1 or other alternatives such as repower of existing fossil generating stations.

If you have any questions concerning the above, please let me know.

Sincerely,

Harold B. Ray

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Attachments