

March 31, 2016

10 CFR 50.75
10 CFR 50.82

ATTN: Document Control Desk
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555-0001

Subject: **Docket Nos. 50-206, 50-361 and 50-362**
10 CFR 50.75(f)(1) and 10 CFR 50.82(a)(8)(v-vii)
Decommissioning Funding Status Report
San Onofre Nuclear Generating Station Units 1, 2 and 3

Dear Sir or Madam:

As required by 10 CFR 50.75(f)(1), and 10 CFR 50.82(a)(8)(v)-(vii), this letter provides the status of the decommissioning funding for San Onofre Nuclear Generating Station (SONGS) Units 1, 2, and 3 as of December 31, 2015 (Enclosure 1). The required information is provided in Enclosure 1 for Southern California Edison and San Diego Gas & Electric for SONGS Unit 1 and for Southern California Edison, San Diego Gas & Electric, the City of Anaheim, and the City of Riverside for SONGS Units 2 and 3.

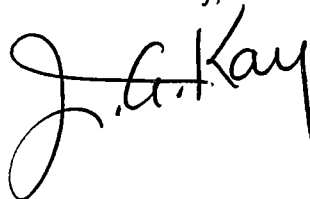
Based on the requirements in 10 CFR 50.75(f)(1), this information is reported on an annual basis for SONGS Units 1, 2 and 3 because the plants were permanently shut down before the end of their licensed life and SONGS Units 1, 2 and 3 are currently being decommissioned.

Additionally, in accordance with 10 CFR 50.75(f)(1), enclosed is the City of Anaheim First Amendment to Decommissioning Trust Fund Agreement (Enclosure 2).

There are no commitments contained in this letter or its enclosures.

If you have any questions regarding this matter, please contact me at (949) 368-7418.

Sincerely,



Enclosures: 1. SONGS Units 1, 2 and 3 Decommissioning Funding Status Report For
Calendar Year 2015
2. City of Anaheim First Amendment to Decommissioning Trust Fund Agreement

cc: M. Dapas, Regional Administrator, NRC Region IV
J. E. Whitten, Region IV, Branch Chief, Fuel Cycle and Decommissioning Branch
M. G. Vaaler, NRC Project Manager, San Onofre Units 1, 2 and 3

Enclosure 1

**San Onofre Nuclear Generating Station Units 1, 2 and 3
Decommissioning Funding Status Report
For Calendar Year 2015**

**San Onofre Nuclear Generating Station Units 1, 2 and 3
Decommissioning Funding Status Report
For Calendar Year 2015**

San Onofre Unit 1 was a pressurized water reactor (PWR) rated at 1347 MWt. San Onofre Units 2 and 3 were pressurized water reactors (PWR) rated at 3438 MWt. Provided below is the information required by 10 CFR 50.75(f)(1) and 10 CFR 50.82(v)(8)(v-vii) for San Onofre Units 1, 2, and 3. This information is reported every year for San Onofre Units 1, 2, and 3 because they closed before the end of their licensed lives and are currently being decommissioned.

The SONGS Unit 1 co-owners are reported as follows:

Southern California Edison (SCE)	80.00 %
San Diego Gas & Electric (SDG&E)	<u>20.00 %</u>
	100.00 %

The San Onofre Units 2 and 3 owners are reported as follows:

Southern California Edison (SCE)	78.21 %
San Diego Gas & Electric (SDG&E)	20.00 %
City of Anaheim (Anaheim)	0.00 %
City of Riverside (Riverside)	1.79 %

The decommissioning liability is shared between the current owners and former owner, Anaheim, as set forth below for each unit:

Owner	Unit 1 Decommissioning Liability	Unit 2 Decommissioning Liability	Unit 3 Decommissioning Liability
SCE	80.00%	75.7363%	75.7475%
SDG&E	20.00%	20.00%	20.00%
Anaheim	0.00%	2.4737%	2.4625%
Riverside	0.00%	1.7900%	1.7900%

All dollar amounts are in 100% share, nominal dollars.

- 1) The decommissioning fund estimated to be required pursuant to 10 CFR 50.75(b) and (c) is the following:
 - a) The minimum amount calculated by the method prescribed by 10 CFR 50.75(c).

<u>San Onofre Unit 1⁽¹⁾</u>	<u>San Onofre Unit 2</u>	<u>San Onofre Unit 3</u>
\$ 430.9 million	\$ 520.9 million	\$ 520.9 million

- b) The San Onofre Unit 1 site-specific estimate for decommissioning includes the following radiological decommissioning costs associated with terminating the site license, non-radiological site restoration costs, and spent fuel storage costs:⁽²⁾

	<u>San Onofre Unit 1</u>
"To Go" Radiological Costs	\$ 118.8 million
"To Go" Site Restoration Costs	\$ 92.4 million
"To Go" Fuel Storage Costs	<u>\$ 30.9 million</u>
Total Unit 1 "To Go" Costs as of 1/1/2016	\$ 242.1 million

- c) The San Onofre Unit 2 site-specific estimate for decommissioning includes the following radiological decommissioning costs associated with terminating the site license, non-radiological site restoration costs, and spent fuel storage costs:⁽³⁾

	<u>San Onofre Unit 2</u>
Estimate of Radiological Costs	\$1,052.2 million
Less: Radiological Costs through 12/31/2015	<u>\$ 160.4 million</u>
"To Go" Radiological Costs	\$ 891.8 million
Estimate of Site Restoration Costs	\$ 430.6 million
Less: Site Restor. Costs through 12/31/2015	<u>\$ 79.2 million</u>
"To Go" Site Restoration Costs	\$ 351.4 million
Estimate of Fuel Storage Costs	\$ 634.0 million
Less: Fuel Storage Costs through 12/31/2015	<u>\$ 135.3 million</u>
"To Go" Fuel Storage Costs	\$ 498.7 million
Total Unit 2 "To Go" Costs as of 1/1/2016	\$1,741.9 million

- d) The San Onofre Unit 3 site-specific estimate for decommissioning includes the following radiological decommissioning costs associated with terminating the site license, non-radiological site restoration costs, and spent fuel storage costs:⁽³⁾

	<u>San Onofre Unit 3</u>
Estimate of Radiological Costs	\$1,096.7 million
Less: Radiological Costs through 12/31/2015	<u>\$ 160.3 million</u>
"To Go" Radiological Costs	\$ 936.4 million
Estimate of Site Restoration Costs	\$ 609.9 million
Less: Site Restor. Costs through 12/31/2015	<u>\$ 80.9 million</u>
"To Go" Site Restoration Costs	\$ 529.0 million

Estimate of Fuel Storage Costs	\$ 664.3 million
Less: Fuel Storage Costs through 12/31/2015	\$ <u>127.4 million</u>
"To Go" Fuel Storage Costs	\$ 536.9 million

Total SONGS Unit 3 "To Go" Costs as of 1/1/2016 \$2,002.4 million

- 2) The Decommissioning Trust Fund amounts remaining at the end of calendar year 2015 (net of pending Trust Fund withdrawals and estimated capital gains taxes) are:⁽⁴⁾

<u>Owner</u>	<u>San Onofre Unit 1</u>	<u>San Onofre Unit 2</u>	<u>San Onofre Unit 3</u>
SCE	\$ 271.2 million	\$ 1,208.5 million	\$ 1,380.5 million
SDG&E ⁽⁵⁾	\$ 132.7 million	\$ 352.0 million	\$ 401.1 million
Anaheim ⁽⁵⁾	N/A	\$ 57.8 million	\$ 57.8 million
Riverside ⁽⁵⁾	<u>N/A</u>	<u>\$ 31.4 million</u>	<u>\$ 34.5 million</u>
TOTAL	\$ 403.9 million	\$ 1,649.7 million	\$ 1,873.9 million

- 3) The annual amounts projected to be collected in 2016 are:

<u>Owner</u>	<u>San Onofre Unit 1</u>	<u>San Onofre Unit 2</u>	<u>San Onofre Unit 3</u>
SCE	\$ 0.0 million	\$ 0.0 million	\$ 0.0 million
SDG&E ⁽⁵⁾	\$ 0.0 million	\$ 0.0 million	\$ 0.0 million
Anaheim ⁽⁵⁾	N/A	\$ 0.0 million	\$ 0.0 million
Riverside ⁽⁵⁾	<u>N/A</u>	<u>\$ 0.0 million</u>	<u>\$ 0.0 million</u>
TOTAL	\$ 0.0 million	\$ 0.0 million	\$ 0.0 million

- 4) The amounts spent on San Onofre Units 1, 2, and 3 decommissioning work performed during 2015 are summarized below:

<u>Cost Category</u>	<u>San Onofre Unit 1</u>	<u>San Onofre Unit 2</u>	<u>San Onofre Unit 3</u>
License Term.	\$ 0.88 million	\$ 63.6 million	\$ 63.6 million
Site Restoration	\$ 0.05 million	\$ 25.5 million	\$ 27.2 million
Spent Fuel Storage	<u>\$ 0.22 million</u>	<u>\$ 55.1 million</u>	<u>\$ 47.8 million</u>
TOTAL	\$ 1.15 million	\$ 144.2 million	\$ 138.6 million

- 5) The composite escalation rate and after tax investment rates of return for San Onofre Units 1, 2, and 3 Decommissioning are summarized below:

<u>Composite Rate</u>	<u>San Onofre Unit 1</u>	<u>San Onofre Unit 2</u>	<u>San Onofre Unit 3</u>
Rate of Return	3.25%	3.39%	3.39%
Escalation	3.88%	3.41%	3.41%

The composite investment rates of return less the composite escalation rates yield composite real earnings rates less than the 2% real rate of return allowed under 10 CFR 50.75(e)(1)(ii).

- 6) None of the owners of San Onofre Units 2 and 3 are relying on any contracts for the purposes of providing decommissioning funding pursuant to 10 CFR 50.75(e)(1)(v). There have been no modifications to the method of providing financial assurance.
- 7) The amounts of decommissioning funds available as of December 31, 2015 for the costs to manage San Onofre Units 2 and 3 irradiated fuel, are shown in the table below:⁽⁴⁾

SONGS 1	Estimated "To Go" Decommissioning Cost	Cost Ratios	12/31/2015 Net Trust Balance
License Termination Costs	\$ 118.8 million	49.1%	\$ 198.2 million
Site Restoration Costs	\$ 92.4 million	38.2%	\$ 154.1 million
Spent Fuel Management Costs	<u>\$ 30.9 million</u>	<u>12.7%</u>	<u>\$ 51.5 million</u>
TOTAL	\$ 242.1 million	100.0%	\$ 403.8 million

SONGS 2	Estimated "To Go" Decommissioning Cost	Cost Ratios	12/31/2015 Net Trust Balance
License Termination Costs	\$ 891.8 million	51.2%	\$ 844.6 million
Site Restoration Costs	\$ 351.4 million	20.2%	\$ 332.8 million
Spent Fuel Management Costs	<u>\$ 498.7 million</u>	<u>28.6%</u>	<u>\$ 472.3 million</u>
TOTAL	\$ 1,741.9 million	100.0%	\$ 1,649.7 million

SONGS 3	Estimated "To Go" Decommissioning Cost	Cost Ratios	12/31/2015 Net Trust Balance
License Termination Costs	\$ 936.5 million	46.8%	\$ 876.4 million
Site Restoration Costs	\$ 529.0 million	26.4%	\$ 495.1 million
Spent Fuel Management Costs	<u>\$ 536.9 million</u>	<u>26.8%</u>	<u>\$ 502.5 million</u>
TOTAL	\$ 2,002.4 million	100.0%	\$ 1,874.0 million

Notes:

- (1) The minimum amount required for the radiological decommissioning costs of San Onofre Unit 1 is provided per the 10 CFR 50.75 formula. This minimum amount is no longer relevant, however, because much of the radiological decommissioning of San Onofre Unit 1 has already been completed.

- (2) The site-specific decommissioning cost estimate (DCE) for San Onofre Unit 1 that was submitted to the California Public Utilities Commission (CPUC) on March 1, 2016, includes the radiological costs associated with terminating the site license, non-radiological costs, and fuel storage costs. This estimate increased by \$69.5 million (2014\$, 100% share) from previous DCE, which SCE submitted to the CPUC on December 21, 2012. The DCE increased for two primary reasons. First, the updated DCE includes unavoidable undistributed (time-dependent) expenses that were underestimated or omitted in the prior estimate. Second, the updated DCE includes the cost for full removal of the San Onofre Unit 1 offshore intake and discharge conduits because, although SCE abandoned the conduits in place in accordance with the 2005 amendment to its easement with the California State Lands Commission, SCE retains the liability for any required future removal of the conduits.
- (3) The site-specific decommissioning cost estimate for San Onofre Units 2 and 3 that was submitted to the NRC on September 23, 2014 and to the California Public Utilities Commission (CPUC) on December 10, 2014, includes the radiological costs associated with terminating the site license, non-radiological costs, and fuel storage costs.
- (4) During the period between June 7, 2013 and December 31, 2015, SCE incurred costs of \$374.9 million for San Onofre Unit 2 and \$368.5 million for San Onofre Unit 3 (100% share, Nominal\$). Some of the San Onofre decommissioning co-participants have not yet withdrawn funds for all or part of these costs from their Decommissioning Trusts. Therefore, the Net Balances are the differences between the December 31, 2015 Decommissioning Trust Balances and the 2013-2015 incurred costs.
- (5) SCE is submitting information with respect to its current co-owners, SDG&E and Riverside, and its former co-owner, Anaheim, on their behalf, and they are responsible for the completeness and accuracy of their respective information.

Enclosure 2

City of Anaheim

**First Amendment to Decommissioning Trust
Fund Agreement**

FIRST AMENDMENT TO DECOMMISSIONING TRUST FUND AGREEMENT

THIS FIRST AMENDMENT TO DECOMMISSIONING TRUST FUND AGREEMENT (“First Amendment”), dated for purposes of identification only this 17th day of November, 2015, is made and entered into by and between the CITY OF ANAHEIM (“Anaheim”), a charter city and municipal corporation of the State of California, also referred to herein as “Grantor,” and U.S. Bank National Association (“USBNA”), also referred to herein as “Trustee.”

RECITALS

WHEREAS, Anaheim, as grantor, and The Bank of California, as trustee, previously entered into the Decommissioning Trust Fund Agreement dated November 6, 1990 (“Agreement”), incorporated herein by this reference, in order to comply with regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 50 that require a licensee to provide assurance that funds will be available when needed for required decommissioning activities; and

WHEREAS, the term “Trustee,” as defined in Section 1.B of the Agreement, means “the Trustee who enters into this Agreement and any successor Trustee”; and

WHEREAS, in 1996, The Bank of California and Union Bank, N.A. consolidated and continued operations following that consolidation, through several different financing arrangements, as “Union Bank”; and

WHEREAS, on February 1, 2012, USBNA succeeded Union Bank, N.A. as trustee on certain accounts pursuant to a Purchase and Assumption Agreement between USBNA and Union Bank dated January 27, 2012, and pursuant to Section 4879.14 of the California Financial Code.

As such, USBNA (as Union Bank's successor) is a party to the Agreement, as such Agreement may be amended from time to time; and

WHEREAS, the Agreement reflects Federal regulations in effect at the time it was signed in 1990, including regulations that required the Nuclear Regulatory Commission ("NRC") to approve a decommissioning plan prior to the initial trust fund withdrawal request under the Agreement. As part of a 1996 rulemaking proceeding, the NRC amended its regulations to eliminate this plan approval requirement for certain trust fund withdrawals for decommissioning activities; and

WHEREAS, the NRC modified its regulations again as part of a 2002 rulemaking to require that licensees provide a 30-working-day written notice to the NRC of trust fund withdrawals, except for withdrawals made under 10 C.F.R. § 50.82(a)(8) (including expenses for legitimate decommissioning activities) and withdrawals made for payments of ordinary administrative costs and other incidental expenses of the trust fund (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of the trust fund; and

WHEREAS, the NRC issued Exemptions for San Onofre Nuclear Generating Station ("SONGS"), Units 2 and 3, on September 5, 2014 (NRC Document ID No. NRC 2014 0170, 79 Fed. Reg. 55,019 (Sept. 15, 2014)), allowing withdrawals from the SONGS decommissioning trust funds for irradiated fuel management and site restoration activities, without prior notification to the NRC; and

WHEREAS, these regulatory changes made by the NRC, together with the Exemptions issued by the NRC specifically for SONGS Units 2 and 3, create a situation in which, after decommissioning has begun, trust fund withdrawals for expenses for legitimate

decommissioning activities, irradiated fuel management, and site restoration activities will not require further prior notice to the NRC; and

WHEREAS, with this First Amendment the Grantor and the Trustee wish to conform the Agreement to these NRC changes and resulting changed requirements for decommissioning trust agreements.

NOW, THEREFORE, the Grantor and the Trustee agree as follows:

1. That "SCHEDULE C – SPECIMEN CERTIFICATE OF EVENTS," referenced in Section 5.A. and attached to the Agreement, is hereby amended in its entirety and replaced with "SCHEDULE C – FIRST AMENDED SPECIMEN CERTIFICATE OF EVENTS," as shown on Attachment 1 hereto.

2. That Section 5 of the Agreement ("Payment for Required Activities Specified in the Plan") is hereby amended in its entirety and replaced with the following:

Section 5: Payment for Required Activities Specified in the Plan

"A. The Trustee shall make payments from the Fund to the Grantor upon presentation to the Trustee of the following:

1. A certificate duly executed by the City Clerk of the Grantor attesting to the occurrence of the events, and in the form set forth in the Specimen Certificate of Events attached as Schedule C; and
2. A certificate duly executed by the Public Utilities General Manager or a Public Utilities Assistant General Manager in the form set forth in the attached Schedule C-1 – Form of Disbursement Certificate attesting to the following conditions:

- a. That decommissioning is proceeding pursuant to an NRC-noticed Post-Shutdown Decommissioning Activities Report, Irradiated Fuel Management Plan and Site-Specific Decommissioning Cost Estimate, including any amendments or revisions (collectively, "Plan");
- b. That the funds withdrawn will be expended for activities undertaken pursuant to that Plan; and
- c. That all conditions precedent to the making of this withdrawal and disbursement set forth in any agreement between the City of Anaheim and Trustee have been fulfilled.

"B. Except for withdrawals being made under 10 C.F.R. § 50.82(a)(8), or as otherwise permitted under the Exemptions issued by the Nuclear Regulatory Commission for San Onofre Nuclear Generating Station, Units 2 and 3, on September 5, 2014 (NRC Document ID No. NRC 2014 0170, 79 Fed.Reg. 55,019 (Sept. 15, 2014)), or for payments of ordinary administrative costs and other incidental expenses of the Fund (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of the Fund, no disbursement or payment may be made from the Fund until written notice of the intention to make disbursement or payment has been given to the Nuclear Regulatory Commission Director of the Office of Nuclear Reactor Regulation, or Director of the Office of

Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment. The disbursement or payment from the Fund may be made following the 30-working-day notice period if the Trustee does not receive written notice of objection from the Director, Office of Nuclear Reactor Regulation, or Director, Office of Nuclear Material Safety and Safeguards, as applicable, within the notice period.

"C. In the event of the Grantor's default or inability to direct decommissioning activities, the Trustee shall make payments from the Fund as the NRC shall direct, in writing, to provide for the payment of the costs of required activities covered by this Agreement. The Trustee shall reimburse the Grantor or other persons as specified by the NRC, from the Fund for expenditures for required activities in such amounts as the NRC shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the NRC specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein."

3. That "SCHEDULE C-1 – FORM OF DISBURSEMENT CERTIFICATE" is hereby added to the Agreement, as shown on Attachment 2 hereto.

4. Except as expressly amended hereby, all the remaining provisions of the Agreement shall remain in full force and effect. The information contained in Schedules C and C-1 may be modified from time to time without a formal amendment of the Agreement, provided (1) the modified Schedules remain consistent with the terms and conditions of the Agreement and (2) the modified Schedules are acceptable to both Anaheim and USBNA, as indicated by

execution of the modified Schedule by Anaheim's representative and full performance by USBNA of its obligations thereunder.

5. Trustee's signatory represents that the signatory holds the position set forth below his or her signature and that the signatory is authorized to execute this First Amendment on behalf of Trustee and to bind Trustee hereto.

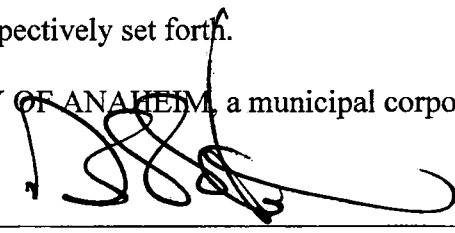
6. The "Effective Date" of this First Amendment is hereby defined as the latest date of execution by the signatories hereto.

[Remainder of page blank; signatures on next page.]

IN WITNESS WHEREOF, the Grantor and the Trustee have caused this First Amendment to be executed on the dates hereinafter respectively set forth.


DATE: 11/23/15

CITY OF ANAHEIM, a municipal corporation

By: 
Dukku Lee
Public Utilities General Manager

DATE: 11/23/15

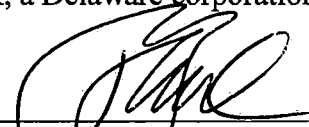
ATTEST:

By: 
Linda N. Andal, CMC
City Clerk

Anaheim/Grantor

DATE: 11/5/15

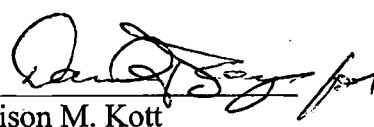
U.S. BANK, a Delaware corporation

By: 
Tim Banach, CRSE
Vice President | Relationship Manager
U.S. Bank Institutional Trust & Custody

USBNA/Trustee

APPROVED AS TO FORM:

MICHAEL R.W. HOUSTON
CITY ATTORNEY


By: Alison M. Kott
Assistant City Attorney

SCHEDULE C

FIRST AMENDED SPECIMEN CERTIFICATE OF EVENTS

Tim Banach
U.S. Bank, N.A.
1420 Kettner Blvd, Suite 200
San Diego, CA 92101

Attention: Trust Division

Gentlepersons:

In accordance with the terms of the Decommissioning Trust Fund Agreement dated November 6, 1990 ("Agreement"), as amended, between the City of Anaheim and U.S. Bank National Association, successor Trustee, I, Linda N. Andal, City Clerk of the City of Anaheim, hereby certify that the following events have occurred:

1. The City of Anaheim is required to commence the decommissioning of its facility located at San Onofre Nuclear Generating Station Units 2 and 3, San Diego County, California, (hereinafter called the decommissioning).
2. The plan for the commencement and conduct of the decommissioning, including the Post-Shutdown Decommissioning Activities Report, Irradiated Fuel Management Plan, Site-Specific Decommissioning Cost Estimate, and any amendments or revisions (collectively, "Plan") was submitted to the U.S. Nuclear Regulatory Commission (NRC), or its successor, on September 23, 2014, 90 days or more before the date of this First Amended Certificate of Events, and the NRC noticed the Plan.
3. The City Council of the City of Anaheim has adopted the attached Resolution authorizing the commencement of the decommissioning.

Linda N. Andal, CMC
City Clerk
City of Anaheim

Date: _____

ATTACHMENT 1 to FIRST AMENDMENT

SCHEDULE C-1

FORM OF DISBURSEMENT CERTIFICATE

Tim Banach
U.S. Bank, N.A.
1420 Kettner Blvd, Suite 200
San Diego, CA 92101

Attention: Trust Division

Gentlepersons:

In accordance with the terms of the Decommissioning Trust Fund Agreement dated November 6, 1990, as amended, between the City of Anaheim and U.S. Bank National Association, successor Trustee, I, Brian Beelner, AGM - Finance & Administration of the City of Anaheim, hereby certify that:

1. Decommissioning is proceeding pursuant to an NRC-noticed Post-Shutdown Decommissioning Activities Report, Irradiated Fuel Management Plan, and Site-Specific Decommissioning Cost Estimate, including any amendments or revisions (collectively, "Plan").
2. The funds withdrawn will be expended for activities undertaken pursuant to that Plan; and
3. All conditions precedent to the making of this withdrawal and disbursement set forth in any agreement between the City of Anaheim and the Trustee have been fulfilled.

The undersigned authorizes and instructs the Trustee to disburse to the City of Anaheim the sum in the amount of \$ _____ from the trust Fund to pay decommissioning costs.

Brian Beelner
AGM – Finance & Administration
City of Anaheim

Date: _____

ATTACHMENT 2 to FIRST AMENDMENT