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November 18, 2013

**ADVICE 2968-E**  
**(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
ENERGY DIVISION

**SUBJECT:** Request for (1) Authorization of Disbursements from the Master Trusts for San Onofre Nuclear Generating Station; (2) Approval of Tier 2 Advice Letter Process for Future Disbursements; (3) Designation of Trust Amounts Set Aside for NRC License Termination; and (4) Approval of Balancing Account

**I. PURPOSE AND INTRODUCTION**

Pursuant to General Order 96-B, Southern California Edison Company (SCE) respectfully submits this Tier 3 advice letter requesting a resolution from the California Public Utilities Commission (Commission or CPUC) that:

1. Authorizes SCE to obtain interim disbursements of up to \$214 million (SCE Share) from the Master Trusts<sup>1</sup> for San Onofre Nuclear Generating Station Unit Nos. 2&3 (SONGS 2&3)<sup>2</sup> for SONGS 2&3 decommissioning expenses incurred in 2013;

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<sup>1</sup> The decommissioning trusts are governed by the Southern California Edison Company Nuclear Facilities Qualified and Non-qualified CPUC Decommissioning Master Trust Agreements for San Onofre and Palo Verde Nuclear Generating Stations (Master Trusts). The Master Trusts provide that the advice letter process can be utilized for obtaining disbursements. Specifically, section 2.01 of the Master Trust Agreements states: "The Trustee shall make payments of the Decommissioning Costs in accordance with the following procedures:...(4)(d) a CPUC Order authorizing either Interim Disbursements or Final Disbursements." Section 1.01 (9) of the Master Trust Agreements provide that "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." (emphasis added)

<sup>2</sup> SCE is not proposing to be reimbursed by the trust funds designated for SONGS 1 and Palo Verde Nuclear Generating Station Units 1, 2, and 3 to pay expenses incurred in the decommissioning of SONGS 2&3.

2. Approves a Tier 2 advice letter procedure, consistent with the process established in Decision (D.) 11-07-003, for (1) SCE to seek disbursements for decommissioning costs incurred in 2014 and future periods until adoption of a final SONGS 2&3 decommissioning activities plan and cost estimate by the Commission, and (2) the Commission to review SONGS 2&3 decommissioning activities and recorded costs;
3. Designates which portions of the trust funds for SONGS 2&3 should be set aside for NRC License Termination;
4. Authorizes SCE to establish a SONGS Operations and Maintenance (O&M) Balancing Account (SOMBA) to record the difference between actual SONGS 2&3 O&M expenses, trust fund disbursements, and the authorized SONGS 2&3 O&M expenses included in customer rates.

SCE anticipates filing an application in 2014 that will seek Commission approval of a SONGS 2&3 site-specific, detailed radiological and non-radiological decommissioning and fuel management plan and cost estimate. The approval sought by this Tier 3 AL and subsequent Tier 2 ALs will authorize disbursements from the Master Trusts until such time (estimated to be late-2015) as the Commission has issued a decision that approves SCE's site-specific SONGS 2&3 decommissioning activities plan and detailed cost estimate,<sup>3</sup> and that grants authority to obtain disbursements from the Master Trusts for SONGS 2&3 decommissioning costs. In addition, SCE does not seek, by this advice letter, any rate increase or additional funding for the Master Trusts. The trusts have accumulated funds for more than 25 years, funded by the SCE customers pursuant to the Nuclear Facilities Decommissioning Act of 1985 ("Decommissioning Act").<sup>4</sup> Accordingly, SCE seeks to defray SONGS 2&3 decommissioning costs by utilizing the Master Trusts for their intended purposes.

SCE would not seek recovery of expenses disallowed in Investigation (I.) 12-10-013 (OII). SCE would exclude from its Decommissioning Trust request any recorded expenses found unreasonable in the OII.

## **II. BACKGROUND**

On June 7, 2013, SCE announced plans to permanently retire SONGS 2&3. On June 12, 2013, SCE submitted a Certification of Permanent Cessation of Power Operations to the Nuclear Regulatory Commission (NRC), certifying that SCE has permanently

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<sup>3</sup> The ABZ study submitted in the NDCTP is used for determining the approximate level of funding required, and does not provide the detailed schedule, plans, and cost-estimates that will be provided to the NRC or that will provide the basis for the decommissioning cost estimate in SCE's application at the Commission.

<sup>4</sup> California Public Utilities Code, Section 8321, et seq.

ceased power operations of SONGS 2&3, surrendering SCE's authority to operate the units. SCE submitted to the NRC a Certification of Permanent Removal of Fuel for Unit 3 on June 28, 2013, and for Unit 2 on July 23, 2013. As a result of these submittals, SCE now holds an NRC license that does not permit power operations but does authorize the possession of the SONGS facilities and licensed material. SCE no longer has authority under its operating licenses to load fuel into the reactors at SONGS 2&3.

The permanent retirement of SONGS 2&3, approximately nine years before the expiration of the NRC operating licenses for the units in 2022, represents a change of circumstance not contemplated in the decommissioning cost estimates previously submitted and approved by the CPUC in prior Nuclear Decommissioning Cost Triennial Proceedings (NDCTPs). Under the sequence of events that was previously contemplated, SCE would have submitted a site-specific decommissioning activities plan and detailed cost estimate for review by NRC and approval by this Commission at least five years prior to the expiration of the operating licenses. NRC regulations at 10 CFR 50.75(f)(3) and (4), for example, would have required SCE to submit preliminary decommissioning plans and cost estimates for the NRC's review beginning about 5 years prior to the projected expiration of the operating licenses. Section 2.01(7) of the Qualified and Non-Qualified Master Trust Agreements further state:

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.<sup>5</sup>

The timing contemplated by the Master Trust Agreements would have permitted SCE to seek approval of a site-specific decommissioning plan and detailed cost estimate, and obtain disbursements from the Master Trusts for decommissioning-related expenses, as the units approached the expiration of the operating licenses. Given the change of circumstances resulting from the early retirement of SONGS, SCE submits this advice letter requesting Commission approval for interim disbursements from the Master Trusts and other relief, in connection with SONGS 2&3 decommissioning activities and costs.

### **III. DISCUSSION**

SCE further explains below the basis for the relief sought. SCE submits the following additional information in support of this Tier 3 AL:

Attachment 1 – Summary of decommissioning costs for the first 18 months of decommissioning through December 31, 2014 (recorded from June, 2013 to September, 2013 and forecast from October, 2013 to December, 2014);

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<sup>5</sup> Section 2.01(7) of Qualified Master Trust Agreement, and Section 2.01(7) of Non-qualified Master Trust Agreement.

Attachment 2 – Correlation of estimated costs to the most recent ABZ estimate submitted in the NDCTP; and

Attachment 3 – Overview of decommissioning process, and SCE’s initial decommissioning planning activities, near-term work, and SONGS staffing plans;

#### **A. Interim Disbursements**

SCE estimates the expenditure of up to \$282 million (100 percent share) of SONGS 2&3 decommissioning costs through December 31, 2013. SCE requests the Commission to authorize disbursements of up to \$214 million (SCE Share)<sup>6</sup> from the Master Trusts for SCE’s share of these costs.

As shown in Attachment 1, the decommissioning costs incurred in 2013 include (1) Base O&M necessary to ensure the radiological safety and security of SONGS, and to commence decommissioning activities;<sup>7</sup> (2) capital expenditures related to the Independent Spent Fuel Storage Installation (ISFSI) and site-security projects; and (3) other costs such as workers compensation, insurance, and severance (if allowed as decommissioning costs under tax rules). More specifically, as explained in further detail below, the Base O&M decommissioning costs in 2013 are necessary for: (1) commencing a site-specific SONGS 2&3 decommissioning activities plan and detailed cost estimate, and preparing decommissioning-related submittals to the Nuclear Regulatory Commission (NRC);<sup>8</sup> (2) managing used fuel stored at SONGS; and (3) paying for other near-term non-radiological decommissioning costs, including the option to pay for employee-related decommissioning costs allowable under the Nuclear Facilities Decommissioning Act of 1985 (Decommissioning Act),<sup>9</sup> if certain federal tax issues are resolved favorably.<sup>10</sup> SCE expressly requests the authority to propose a different means to recover the severance expenses incurred in decommissioning, if payment from the decommissioning trust would compromise the beneficial tax status of the trusts or if another cost-recovery alternative is appropriate. As shown in Attachment 2, the estimated costs for Base O&M, capital expenditures, and other costs submitted in this Tier 3 AL are consistent with those estimated in the ABZ study submitted in July 2013 in the NDCTP.

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<sup>6</sup> The SONGS participants' respective shares of the decommissioning costs for SONGS 2&3 are governed by Section 22 of the Second Amended Operating Agreement for SONGS. SCE's and the City of Anaheim's shares of these decommissioning costs are also governed by the Settlement Agreement Relating to SONGS by and between SCE and the City of Anaheim, dated December 20, 2005. Based on these agreements, SCE's share is approximately 76 percent of the costs.

<sup>7</sup> See Attachment 3, Declaration of Thomas J. Palmisano for further details regarding decommissioning activities, NRC submittals, and SONGS staffing.

<sup>8</sup> *Id.*

<sup>9</sup> Public Utilities Code Section 8321 et seq.

<sup>10</sup> SCE will seek to recover the severance expenses incurred in decommissioning by other means, if payment from the decommissioning trust would compromise the beneficial tax status of the trusts.

## 1. Detailed Planning Costs.

The NRC permits the use of up to 3 percent of the estimated decommissioning costs pursuant to 10 CFR 50.75 to fund the initial detailed planning for the radiological decommissioning (or NRC License Termination) at nuclear plant sites. The Master Trusts similarly anticipate the use of 3 percent amount set by Section 50.75 for detailed planning purposes.

As explained in Attachment 3, which provides an overview of the decommissioning process, SCE will need to complete this detailed planning by developing a site-specific decommissioning activities plan that will be described in various submittals to the NRC within the first 24 months following the decision to permanently cease operation. The plans will provide, among other things, a schedule for the completion of decommissioning activities; estimate of the expected costs; environmental assessment; and other related decommissioning topics. The regulatory submittals include:

### NEAR TERM REGULATORY SUBMITTALS

- Post-Shutdown Decommissioning Activities Report (PSDAR): *Expected Completion 2Q 2014*
- Irradiated Fuel Management Plan (IFMP): *Expected Completion Prior to the submission of the PSDAR*
- Decommissioning Cost Estimate (DCE): *Expected Completion Prior to the submission of the PSDAR*

SCE expects to complete these initial detailed planning activities within the next year in order to support the filing of an application in 2014 that seeks the Commission's approval of a SONGS 2&3 decommissioning activities plan and cost estimate, and approval of disbursements from the Master Trusts for SONGS decommissioning consistent with that plan and estimate.

## 2. Used-Fuel Management

There will be a number of near-term used-fuel management activities that require funding from the Master Trusts. Although SONGS is permanently retired, SCE must continue to meet applicable NRC requirements during the decommissioning process prior to license termination. In particular, SCE must continue to maintain the safety and security of used fuel for the radiological health and safety of the public and SCE's employees. The activities will include storing the used fuel in the SONGS 2&3 spent fuel pools, transferring used fuel from the spent fuel pools to casks in the SONGS ISFSI, and continued storage of used fuel in the ISFSI.

SCE will assess the feasibility of accelerating the transfer of used fuel from the spent fuel pools to the ISFSI, and also assess isolating the spent fuel pool cooling systems so that ocean cooling will no longer be required. These activities may decrease overall decommissioning costs. The costs of these activities are not included in this advice

letter, and will be identified as fuel storage costs in subsequent advice letters seeking approval of disbursements for future periods, if SCE determines after further study that it is safe and cost-effective to implement these activities.

### **3. Near-Term Non-Radiological Decommissioning Costs**

SCE will also incur non-radiological decommissioning costs related to certain support functions for SONGS decommissioning, such as procurement, finance, human resources (HR), and information technology (IT) activities. The non-radiological decommissioning costs also include costs for insurance, workers compensation, and taxes.

In addition, the largest near-term expense incurred by SCE directly associated with the retirement of SONGS 2&3 are employee-related costs, including labor expenses associated with payments to departing SCE employees at the SONGS site or whose work primarily relates to SONGS 2&3 and assistance with their job searches. SCE has applied to the Internal Revenue Service for a private letter ruling to confirm that disbursements from the decommissioning trust to fund severance would not compromise the trusts' beneficial tax status. As noted above, SCE seeks authority to propose a different means to recover the severance expenses incurred in decommissioning, if payment from the decommissioning trust would compromise the beneficial tax status of the trusts or if another cost-recovery alternative is appropriate.

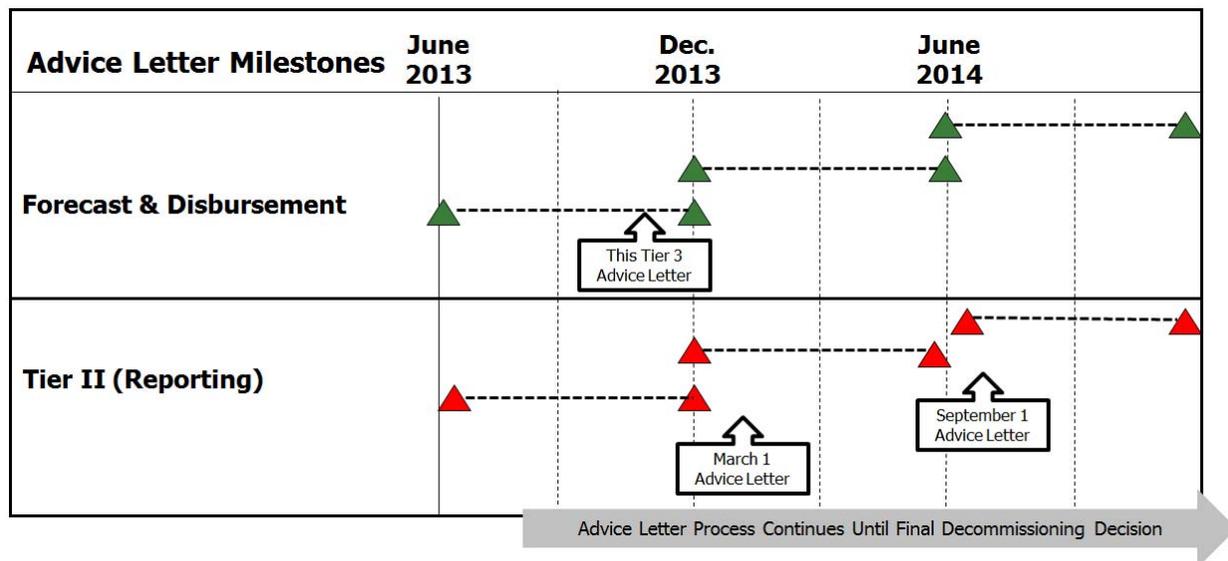
### **B. Proposed Tier 2 Advice Letter Process**

The disbursement approval that SCE seeks in this advice letter will defray SONGS 2&3 decommissioning costs through December 31, 2013. To allow SCE to defray decommissioning costs for subsequent periods, SCE requests that the Commission approve a procedure for SCE to seek disbursements from the Master Trusts for these costs, and for the Commission to review SONGS 2&3 decommissioning activities and costs by means of a Tier 2 advice letter filing.

SCE's proposal is consistent with the Tier 2 advice letter procedure approved by the Commission in D.11-07-003, which established the process for Pacific Gas & Electric's obtaining disbursements from the decommissioning trusts for the Humboldt Bay Power Plant Unit 3 (HBPP). SCE specifically proposes that the Commission approve a process allowing SCE to submit a Tier 2 advice letter in six-month intervals beginning in 2014. The Tier 2 advice letter will provide information regarding the SONGS 2&3 decommissioning activities and costs sufficient for the Commission to (1) identify decommissioning costs incurred in the preceding six-months (i.e. comparing actual recorded costs to SCE's decommissioning budget for the corresponding six-month period), (2) identify the decommissioning budget for the decommissioning costs that will be incurred in the subsequent six-months; and (3) approve disbursements from the Master Trusts for those costs. The figure below depicts the proposed sequence of Tier 2 advice letter submissions for the Commission's review and approval of the SONGS

2&3 decommissioning costs and disbursements from the Master Trusts.<sup>11</sup> SCE will submit testimony on a regular basis to describe the reasonableness of recorded costs in the NDCTP or other proceeding which may be designated by the Commission.

### SONGS DECOMMISSIONING



As noted above, SCE proposes this process (i.e., this Tier 3 advice letter and subsequent Tier 2 advice letters) until such time as the Commission has approved SCE’s application for approval of SCE’s site-specific SONGS 2&3 decommissioning activities plan and detailed cost estimate, and for authority to obtain disbursements from the Master Trusts for SONGS decommissioning costs. SCE anticipates filing this application in 2014 and that it will likely be consolidated in the NDCTP. In the application, SCE will propose to continue the Tier 2 advice letter process for reporting SONGS 2&3 decommissioning activities and costs, similar to the procedure that is being used for HBPP.

### C. Designation of Amounts for NRC-Jurisdictional License Termination

The portions of the trust funds for SONGS 2&3 set aside for NRC License Termination should be designated as such based upon an allocation derived from the most recent cost estimate submitted by SCE to the CPUC. As explained below, this will ensure that SCE is able to access the Master Trusts for all intended decommissioning purposes.

<sup>11</sup> SCE will provide an 18 month decommissioning cost forecast in a Tier 2 AL until the Commission reviews and approves a site-specific decommissioning plan and detailed cost estimate. Thereafter, SCE will use the Commission-approved cost estimate in the Tier 2 AL to allow the comparison of actual recorded costs to estimated costs.

The NRC has adopted rules in 10 CFR 50.82 that establish restrictions on the use of trust funds designated for NRC License Termination. Specifically, as noted above, NRC's rules initially limit the use of funds to up to 3 percent of NRC generic "formula amount" for decommissioning planning purposes.<sup>12</sup> After submittal of the certifications of permanent cessation of operations and permanent removal of fuel from the reactor vessel, and 90 days after submittal of the PSDAR, a licensee may use an additional 20 percent of the generic decommissioning funding amount.<sup>13</sup> The remaining License Termination funds cannot be used until the site-specific decommissioning cost estimate is submitted to the NRC.

In addition, the NRC has taken the position that, pursuant to 10 CFR 50.82(a)(8)(i)(A), the use of trust funds set aside for License Termination is restricted to "legitimate decommissioning expenses" that fall within the definition of radiological decommissioning in 10 CFR 50.2. In the NRC staff's view, this definition does not include used fuel management or non-radiological site restoration costs.

Nevertheless, NRC has long acknowledged that licensees could accumulate funds for these other purposes in their trust funds commingled with the funds for 10 CFR 50.75 (radiological decommissioning) purposes. For example, in its 1996 rulemaking, the NRC responded to comments on this issue as follows:

The final rule does not prohibit licensees from having separate subaccounts for other activities in the decommissioning trust fund if minimum amounts specified in the rule are maintained for radiological decommissioning.<sup>14</sup>

The NRC reiterated these principles in the 2002 rulemaking, which bolstered the restrictions on the use of funds in 10 CFR 50.75 trusts, but nevertheless recognized the potential commingling of funds earmarked for non-10 CFR 50.75 purposes. With respect to these funds, the NRC responded to comments as follows:

As to the statement made by commenters that restrictions should not apply to funds held in trust for purposes other than radiological decommissioning, the Commission's position is that withdrawals for nonradioactive decommissioning expenses that do not affect the amount of funds remaining for radiation decommissioning costs are not covered by this rule. However, the Commission is not proposing that licensees institute separate trusts to account for the different types of activity. The Commission appreciates the benefits that some licensees may derive from their use of a single trust fund for all of their decommissioning costs, both

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<sup>12</sup> 10 CFR 50.82(a)(8)(ii).

<sup>13</sup> *Id.*

<sup>14</sup> Final Rule, Decommissioning of Nuclear Power Reactors, 61 Fed. Reg. 39,278, 39,285 (July 29, 1996).

radiological and not; but, as stated above, a licensee must be able to identify the individual amounts contained within its single trust.<sup>15</sup>

In more recent years, the NRC in Regulatory Issue Summary (RIS) 2001-07, Rev.1, “10 CFR 50.75 Reporting and Recordkeeping for Decommissioning Planning,” dated January 8, 2009 recognized that funds for all decommissioning purposes could be maintained in a single decommissioning trust account, and therefore clarified to licensees that they need to be able to “identify and account for the NRC radiological decommissioning funds” in the account:

The NRC has not precluded the commingling in a single account of funds accumulated to comply with NRC radiological decommissioning requirements and funds accumulated to address State site restoration costs (State costs) and spent fuel management costs, as long as the licensee is able to identify and account for the NRC radiological decommissioning funds that are contained within its single account.

Duke Energy Florida, Inc. (DEF) recently addressed a similar situation in which it had commingled trust funds for License Termination, Spent Fuel Management, and Site Restoration, but had not designated specific amounts within the trusts for these purposes. In response to a Petition for Declaratory Relief filed by DEF, the Florida Public Service Commission recently issued an Order agreeing that the amounts for each category should be designated based upon the most recent site specific decommissioning cost estimate.<sup>16</sup>

In order to clearly identify the portions of the trust funds for SONGS 2&3 set aside for NRC License Termination consistent with the NRC’s guidance discussed above, SCE requests that the Commission designate the amounts set aside for this purpose based upon an allocation derived from the most recent ABZ cost estimate submitted by SCE to the Commission, as follows:

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<sup>15</sup> Final Rule, Decommissioning Trust Provisions, 67 Fed. Reg. 78,332, 78,340 (Dec. 24, 2002) (emphasis added).

<sup>16</sup> “Order Granting, In Part, and Denying, In Part, Petition for Declaratory Relief,” Dkt. No. 130207-EI, Order No. PSC-13-0452-FOF-EI, Slip Op. at 8 (October 9, 2013) (“The funds accumulated in the DEF Nuclear Decommissioning Trust Fund shall be allocated among NRC License Termination, Spent Fuel Management, and Site Restoration pursuant to, and in accordance with the percentage assigned to each category in the most current Nuclear Decommissioning Study, or update thereto, filed with and approved by us pursuant to Rule 25-6.04365, F.A.C.”). Notably, the Florida Public Service Commission declined to rule that the funds designated for spent fuel management or site restoration could not be used for license termination purposes, if needed.

**Table 1**  
**Designation of Decommissioning Costs by ABZ Category**  
**(SCE Share)<sup>17</sup>**  
**\$ in Millions, 2013\$**

	Latest NDCTP Estimate 100% Level	SCE Share*	Calculated Value	Breakdown of Trust Fund** Using Calculated Value
SONGS 2		75.7363%		
License Termination	849,547	643,415	43%	567,132
Site Restoration	436,725	330,759	22%	291,544
Fuel Storage	686,292	519,772	35%	458,148
Total	1,972,564	1,493,947	100%	1,316,824
SONGS 3		75.7475%		
License Termination	829,091	628,016	38%	569,761
Site Restoration	606,393	459,328	28%	416,720
Fuel Storage	724,291	548,632	34%	497,741
Total	2,159,775	1,635,976	100%	1,484,221
Grand Total	4,132,339	3,129,923		2,801,045
* Share as of shutdown				
** 7/31/2013 Trust Balances				

Based upon this allocation, SCE requests that the Commission designate \$567.132 million for SONGS 2 and \$569.761 million for SONGS 3 as the NRC License Termination amount as of July 31, 2013 for the respective units. The remaining amounts in Master Trusts would not be subject to the NRC restrictions applicable to the NRC License Termination amounts, and would, therefore allow SCE to use the remaining amounts for their intended purposes (including site restoration and used fuel management) without restriction by the NRC.

#### **D. Balancing Account and Proposed Tariff Change**

This advice filing does not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule. However, SCE requests authority to establish Preliminary Statement, Part GG, SONGS Operations and Maintenance Balancing Account (SOMBA), a two-way balancing account, which will be used to track SONGS O&M expense that cannot be funded from the decommissioning trusts. At the end of each month or as soon as possible thereafter, SCE will examine its recorded

<sup>17</sup> As identified in this Tier 3 advice letter for costs through December 31, 2014, the costs for detailed planning and preparing NRC submittals is a component of License Termination costs; the costs for used-fuel management activities is a component of Fuel Storage costs; and the costs for non-radiological decommissioning activities is a component of Site-Restoration costs.

expenses and first determine if the recorded expenses can be defrayed by disbursements from the decommissioning trusts. After first making such a determination, SCE would then record any remaining SONGS O&M expenses in the balancing account. At the end of each year, the difference between authorized SONGS O&M expense and the recorded amount (over-collection) would be transferred from SOMBA and credited to SCE's Energy Resource Recovery Account (ERRA) balancing account to help mitigate fuel and purchased power (i.e., ERRA) under-collections. If the recorded O&M amount exceeds the authorized amount, SCE would transfer the under-collection from SOMBA and debit SCE's Base Revenue Requirement Balancing Account (BRRBA) for recovery in rates. As such, Preliminary Statements Part YY, BRRBA and Part ZZ, ERRA are revised accordingly herein. At this time, SCE proposes to only recover the recorded SONGS O&M expenses from current SCE customers to the extent that such expenses are not eligible to be recovered from the decommissioning trusts. The SOMBA will be an interest-bearing balancing account.

#### **IV. REQUEST FOR RELIEF**

For the reasons explained above, SCE requests that the Commission issue a resolution that:

1. Authorizes SCE to obtain interim disbursements of up to \$214 million (SCE Share) from the Master Trusts SONGS 2&3 for SONGS 2&3 decommissioning expenses incurred in 2013;
2. Approves a Tier 2 advice letter procedure, consistent with the process established in Decision (D.) 11-07-003, for (1) SCE to seek disbursements for decommissioning costs incurred in 2014 and future periods until adoption of a final SONGS 2&3 decommissioning activities plan and cost estimate by the Commission, and (2) the Commission to review SONGS 2&3 decommissioning activities and recorded costs;
3. Designates which portions of the trust funds for SONGS 2&3 that should be set aside for NRC License Termination. The amounts the Commission should designate as allocated to NRC License Termination are \$567.132 million for SONGS 2 and \$569.761 million for SONGS 3;
4. Authorizes SCE to establish a SOMBA to record the difference between actual SONGS 2&3 O&M expenses, trust fund disbursements, and the authorized SONGS 2&3 O&M expenses included in customer rates.

## **V. OTHER INFORMATION**

### **TIER DESIGNATION**

Pursuant to General Order (GO) 96-B, Energy Industry Rule 5.3, this advice letter is submitted with a Tier 3 designation.

### **EFFECTIVE DATE**

This advice filing will become effective upon Commission approval.

### **NOTICE**

Anyone wishing to protest this advice letter may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice letter. Protests should be mailed to:

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, California 94102  
E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Megan Scott-Kakures  
Vice President, Regulatory Operations  
Southern California Edison Company  
8631 Rush Street  
Rosemead, California 91770  
Facsimile: (626) 302-4829  
E-mail: [AdviceTariffManager@sce.com](mailto:AdviceTariffManager@sce.com)

Leslie E. Starck  
Senior Vice President, Regulatory Policy & Affairs  
c/o Karyn Gansecki  
Southern California Edison Company  
601 Van Ness Avenue, Suite 2030  
San Francisco, California 94102  
Facsimile: (415) 929-5544  
E-mail: [Karyn.Gansecki@sce.com](mailto:Karyn.Gansecki@sce.com)

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section 4 of GO 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached GO 96-B, A.12-12-013, and I.12-10-013 service lists. Address change requests to the GO 96-B service list should be directed by electronic mail to [AdviceTariffManager@sce.com](mailto:AdviceTariffManager@sce.com) or at (626) 302-2930. For changes to all other service lists, please contact the CPUC's Process Office at (415) 703-2021 or by electronic mail at [Process\\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov).

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing at SCE's corporate headquarters. To view other SCE advice letters filed with the CPUC, log on to SCE's web site at <https://www.sce.com/wps/portal/home/regulatory/advice-letters>.

For questions, please contact Doug Snow at (626) 302-2035 or by electronic mail at [Douglas.Snow@sce.com](mailto:Douglas.Snow@sce.com)

**Southern California Edison Company**

/s/ Megan Scott-Kakures  
Megan Scott-Kakures

MSK:wam:dm  
Enclosures

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Southern California Edison Company (U 338-E)

Utility type:

ELC       GAS  
 PLC       HEAT       WATER

Contact Person: Darrah Morgan

Phone #: (626) 302-2086

E-mail: [Darrah.Morgan@sce.com](mailto:Darrah.Morgan@sce.com)

E-mail Disposition Notice to: [AdviceTariffManager@sce.com](mailto:AdviceTariffManager@sce.com)

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas  
 PLC = Pipeline      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2968-E

Tier Designation: 3

Subject of AL: Request for (1) Authorization of Disbursements from the Master Trusts for San Onofre Nuclear Generating Station; (2) Approval of Tier 2 Advice Letter Process for Future Disbursements; (3) Designation of Trust Amounts Set Aside for NRC License Termination; and (4) Approval of Balancing Account

Keywords (choose from CPUC listing): San Onofre Nuclear Generating Station, Nuclear, Balancing Account

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other See Advice Letter

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: \_\_\_\_\_

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: \_\_\_\_\_

Confidential treatment requested?  Yes  No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement.

Name and contact information to request nondisclosure agreement/access to confidential information:

Resolution Required?  Yes  No

Requested effective date: Upon Approval

No. of tariff sheets: 6

Estimated system annual revenue effect: (%): \_\_\_\_\_

Estimated system average rate effect (%): \_\_\_\_\_

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Preliminary Statements and Table of Contents

Service affected and changes proposed<sup>1</sup>: \_\_\_\_\_

Pending advice letters that revise the same tariff sheets: Advice 2948-E

<sup>1</sup> Discuss in AL if more space is needed.

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, California 94102  
E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Megan Scott-Kakures  
Vice President, Regulatory Operations  
Southern California Edison Company  
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Leslie E. Starck  
Senior Vice President, Regulatory Policy & Affairs  
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Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Original 53384-E	Preliminary Statement Part GG	
Revised 53385-E	Preliminary Statement Part YY	Revised 53202-E
Revised 53386-E	Preliminary Statement Part ZZ	Revised 51647-E
Revised 53387-E	Table of Contents	Revised 53244-E
Revised 53388-E	Table of Contents	Revised 52937-E
Revised 53389-E	Table of Contents	Revised 53189-E

PRELIMINARY STATEMENT

Sheet 1

## GG. SONGS Operations and Maintenance Balancing Account (SOMBA)

## 1. Purpose:

The purpose of the San Onofre Nuclear Generating Station (SONGS) Operations and Maintenance (O&M) Balancing Account (SOMBA) is to track the difference between: (1) actual SONGS Units 2 and 3 (SONGS 2&3) O&M expenses; (2) disbursements from Southern California Edison Company's Nuclear Facilities Qualified and Non-qualified CPUC Decommissioning Master Trusts for SONGS; and, (3) authorized SONGS O&M included in base rates.

## 2. Definitions:

## a. SONGS Authorized O&amp;M

The amounts authorized in SCE's 2012 GRC for O&M expenses associated with "normal" operations. The costs are associated with day-to-day activities including the following organizations at SONGS: engineering, operations and maintenance, radiation chemical control, regulatory, security and training.

## b. Interest Rate

The Interest Rate shall be one-twelfth of the Federal Reserve three-month Commercial Paper Rate – Non-Financial, from Federal Reserve Statistical Release H.15 (expressed as an annual rate). If in any month a non-financial rate is not published, SCE shall use the Federal Reserve three-month Commercial Paper Rate – Financial.

## 3. Operations of the SOMBA

## a. Entries in the SOMBA shall be made on a monthly basis as follows:

1. Debit entry equal to recorded SONGS 2&3 O&M expenses;
2. Less: credit entry equal to amounts that can be reimbursed from the decommissioning trusts;
3. Less: credit entry equal to authorized SONGS 2&3 O&M expenses;
4. Equals: the annual (Over)/Under Collection.

## 4. Disposition

SCE will transfer the December 31<sup>st</sup> balance of the SOMBA to either:

- a. SCE's ERRA balancing account - if the balance is an annual over-collection to help mitigate fuel and purchased power (i.e. ERRA) under-collections; or
- b. SCE's Base Revenue Requirement Balancing Account (BRRBA) Generation Subaccount - if the balance is an annual under-collection.

## 5. Review Procedures

Reasonableness of recorded operation of the SOMBA shall be reviewed by the Commission in SCE's annual April ERRA Review proceeding.

(To be inserted by utility)

Advice 2968-E

Decision \_\_\_\_\_

Issued by

Megan Scott-KakuresVice President

(To be inserted by Cal. PUC)

Date Filed Nov 18, 2013

Effective \_\_\_\_\_

Resolution \_\_\_\_\_

PRELIMINARY STATEMENT

Sheet 11

(Continued)

YY. Base Revenue Requirement Balancing Account (BRRBA) (Continued)

5. Generation Sub-account:

- (12) Entry to annually record the transfer of the December 31<sup>st</sup> balance in the Post-Employment Benefits Other Than Pensions (PBOP). (P)
- (13) Credit entry to annually record the transfer of the December 31<sup>st</sup> balance in the Results Sharing Memorandum Account.
- (14) Entry to annually record the transfer of the December 31<sup>st</sup> balance in the Medical Programs Balancing Account.
- (15) Entry to annually record the transfer of the December 31<sup>st</sup> balance in the Mohave Balancing Account.
- (16) Entry to annually record the transfer of the December 31<sup>st</sup> balance in the Four Corners Memorandum Account.
- (17) Debit or credit entry to record the monthly transfer of the balance in the Fuel Cell Program Memorandum Account. (P)  
(P)
- (18) An entry to record other Generation-related amounts as authorized by the Commission. (P)
- (19) Entry to annually record the transfer of the December 31<sup>st</sup> balance in the SONGS Operations and Maintenance Balancing Account, if undercollected. (N)  
|  
(N)

The sum of (1) through (19) equals the activity recorded in the Generation Sub-account of the BRRBA. (T)(P)

Interest Expense shall be calculated monthly by applying the Interest Rate to the average balance of the beginning-of-month and the end-of-month balances in the Generation Sub-account.

6. SONGS 2&3 Refueling and Maintenance Outage Tracking Account

The SONGS 2&3 Refueling and Maintenance Outage Tracking Account (SONGS 2&3 RMOTA) shall track for each calendar year in the GRC cycle the revenue requirement difference between: 1) the actual number of SONGS 2&3 refueling and maintenance outages; and 2) the number of SONGS 2&3 refueling and maintenance outages included in SCE's authorized generation revenue requirement. The account shall not track SONGS 2&3 unplanned outages.

SONGS 2&3 refueling and maintenance outage expenses to be included in SCE's authorized generation revenue requirements (as identified in section 2.b.) shall be determined using the second quarter Global Insight escalation factors.

(Continued)

(To be inserted by utility)

Advice 2968-E  
Decision \_\_\_\_\_

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PRELIMINARY STATEMENT

Sheet 6

(Continued)

ZZ. ENERGY RESOURCE RECOVERY ACCOUNT (Continued)

3. Operation of the ERRA (Continued):

Entries to the ERRA shall be made on a monthly basis as follows: (Continued)

- p. Debit or credit entries equal to recorded Mountainview-related costs including:
  - i. Availability incentives;
  - ii. Heat Rate Incentives;
  - iii. Amortization of emission credits; and
  - iv. Gain or loss on sales of emission credits;
- q. A debit entry equal to recorded 20/20 Rebate Program Costs including:
  - i. 20/20 Rebate amount included on customers' bills increased for FF&U
  - ii. Incremental O&M Costs incurred to implement the Summer 2004 and 2005 20/20 programs.
- r. A credit entry equal to the payment made by a CCA to compensate SCE for incremental purchased power costs as the result of the CCA causing a delay in the "CCA cut-over date" pursuant to D.05-12-041.
- s. Transfers, up to a maximum of 10 million, to the Energy Assistance Fund Tracking Account Associated with the Energy Assistance Fund Rate Relief Program.
- t. A debit entry equal to recorded independent evaluator costs.
- u. A debit entry equal to the fees associated with participation in Western Renewable Energy Generation Information System.
- v. A credit entry equal to the proceeds received (net of book cost) from the sale of sulfur dioxide (SO<sub>2</sub>) credits.
- w. A debit entry equal to the cost associated with the purchase of sulfur dioxide (SO<sub>2</sub>) allowances.
- x. A debit equal to costs related to congestion charges and CRRs.
- y. A credit equal to congestion revenue and CRRs.
- z. A debit equal to costs associated with CAISO convergence bidding.
- aa. A credit equal to CAISO convergence bidding revenues.
- bb. A debit entry equal to costs related to Tradable Renewable Energy credits (TRECS).
- cc. A credit entry equal to the proceeds of the sale of TRECS.
- dd. A debit entry equal to power purchase payments provided to eligible Net Energy Metering customers for energy produced by on-site generation in excess of consumption over a 12-month period. Power purchase payments may include additional compensation for renewable attributes where applicable.
- ee. A debit entry equal to costs incurred for the greenhouse gas compliance instrument transactions pursuant to D.12-04-046.
- ff. A credit entry equal to one-twelfth of the authorized forecasted direct and indirect GHG costs, deferred for future recovery in rates.
- gg. A debit entry equal to the balance in the GHG subaccount included for recovery in rates.
- hh. A credit entry annually to record the transfer of the December 31<sup>st</sup> balance in the SONGS Operations and Maintenance Balancing Account, if overcollected. (N)

The sum of (a) through (hh) equals the activity recorded in the ERRA each month. (T)

Interest shall accrue monthly to the ERRA by applying the Interest Rate to the average of the beginning and ending monthly ERRA balances.

(Continued)

(To be inserted by utility)

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# ATTACHMENT 1

**Southern California Edison  
SONGS Decommissioning  
Monthly Summary Of Advice Letter (June 8, 2013 - December 31, 2014)  
(Nominal Dollars In Thousands, 100% Share)**

	2013							2014												Total	
	RECORDED <sup>(1)</sup>				FORECAST <sup>(2)</sup>			FORECAST <sup>(3)</sup>													
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
<b>Base O&amp;M</b>																					
Labor	\$ 10,570	\$ 14,899	\$ 12,274	\$ 7,901	\$ 5,586	\$ 5,586	\$ 5,586	\$ 6,191	\$ 6,191	\$ 6,191	\$ 6,191	\$ 6,191	\$ 6,191	\$ 4,337	\$ 4,337	\$ 4,337	\$ 4,337	\$ 4,337	\$ 4,337	\$ 4,337	\$ 125,564
Payroll Adders	2,922	4,120	3,410	2,210	1,728	1,728	1,728	1,789	1,789	1,789	1,789	1,789	1,789	1,289	1,289	1,289	1,289	1,289	1,289	1,289	36,314
Non-Labor Variable <sup>(4)</sup>	2,596	4,435	2,506	2,771	9,242	9,242	9,242	4,502	4,502	4,502	3,919	3,919	3,919	3,586	3,586	3,586	3,586	3,586	3,586	3,586	86,815
Non-Labor Fixed	159	2,896	502	(221)	1,649	1,649	1,649	1,437	1,437	1,437	599	599	599	1,107	1,107	1,107	929	929	929	929	20,501
Decommissioning Planning	160	281	442	237	1,292	1,292	1,292	727	727	727	727	727	727	727	727	727	727	727	727	727	13,717
Non-SONGS SCE Labor	206	298	310	257	293	293	293	293	293	293	293	293	293	293	293	293	293	293	293	293	5,471
Non-SONGS SCE Non-Labor	169	220	203	1,141	362	362	362	355	355	355	355	355	355	355	355	355	355	355	355	355	7,072
<b>Subtotal Base O&amp;M</b>	<b>\$ 16,782</b>	<b>\$ 27,148</b>	<b>\$ 19,646</b>	<b>\$ 14,295</b>	<b>\$ 20,151</b>	<b>\$ 20,151</b>	<b>\$ 20,151</b>	<b>\$ 15,294</b>	<b>\$ 15,294</b>	<b>\$ 15,294</b>	<b>\$ 13,873</b>	<b>\$ 13,873</b>	<b>\$ 13,873</b>	<b>\$ 11,694</b>	<b>\$ 11,694</b>	<b>\$ 11,694</b>	<b>\$ 11,516</b>	<b>\$ 11,516</b>	<b>\$ 11,516</b>	<b>\$ 11,516</b>	<b>\$ 295,454</b>
<b>Average Monthly Headcount <sup>(5)</sup></b>	1,483	1,472	1,021	571	571	571	571	571	571	571	571	571	571	400	400	400	400	400	400	400	400
<b>Capital Expenditures</b>																					
Non-ISFSI CapEx	\$ 711	\$ 705	\$ 58	\$ 213	\$ 3,543	\$ 3,543	\$ 3,543	\$ 569	\$ 569	\$ 569	\$ 569	\$ 569	\$ 569	\$ 569	\$ 569	\$ 569	\$ 569	\$ 569	\$ 569	\$ 569	\$ 19,141
ISFSI CapEx <sup>(6)</sup>	156	244	306	2,712	662	662	662	676	676	676	676	676	676	676	676	676	676	676	676	676	13,517
CapEx Allowances	-	-	-	-	1,000	1,000	1,000	188	188	188	188	188	188	188	188	188	188	188	188	188	5,250
<b>Subtotal CapEx</b>	<b>\$ 867</b>	<b>\$ 949</b>	<b>\$ 364</b>	<b>\$ 2,925</b>	<b>\$ 5,205</b>	<b>\$ 5,205</b>	<b>\$ 5,205</b>	<b>\$ 1,432</b>	<b>\$ 1,432</b>	<b>\$ 1,432</b>	<b>\$ 1,432</b>	<b>\$ 1,432</b>	<b>\$ 1,432</b>	<b>\$ 1,432</b>	<b>\$ 1,432</b>	<b>\$ 1,432</b>	<b>\$ 1,432</b>	<b>\$ 1,432</b>	<b>\$ 1,432</b>	<b>\$ 1,432</b>	<b>\$ 37,907</b>
<b>Other Costs</b>																					
Workmans Comp	\$ 60	\$ 110	\$ 155	\$ 69	\$ 96	\$ 96	\$ 96	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 99	\$ 72	\$ 72	\$ 72	\$ 72	\$ 72	\$ 72	\$ 72	\$ 1,708
P&L Insurance	597	77	851	796	864	864	864	880	880	880	880	880	880	880	880	880	880	880	880	880	15,476
ITAS	386	371	367	308	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	266	5,423
A&G <sup>(7)</sup>	418	650	3,334	429	659	659	659	394	394	394	357	357	357	855	312	312	307	307	307	307	11,460
Severance: <sup>(8)</sup>																					
SONGS Severance	-	-	83,676	-	-	-	-	-	-	-	-	-	-	15,898	-	-	-	-	-	-	99,574
Non-SONGS Severance	-	-	24,176	-	-	-	-	-	-	-	-	-	-	4,593	-	-	-	-	-	-	28,769
<b>Subtotal Severance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 107,852</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,492</b>	<b>\$ -</b>	<b>\$ 128,343</b>					
<b>Subtotal Other Costs</b>	<b>\$ 1,462</b>	<b>\$ 1,208</b>	<b>\$ 112,559</b>	<b>\$ 1,602</b>	<b>\$ 1,885</b>	<b>\$ 1,885</b>	<b>\$ 1,885</b>	<b>\$ 1,640</b>	<b>\$ 1,640</b>	<b>\$ 1,640</b>	<b>\$ 1,603</b>	<b>\$ 1,603</b>	<b>\$ 1,603</b>	<b>\$ 22,564</b>	<b>\$ 1,529</b>	<b>\$ 1,529</b>	<b>\$ 1,525</b>	<b>\$ 1,525</b>	<b>\$ 1,525</b>	<b>\$ 1,525</b>	<b>\$ 162,410</b>
<b>Total SONGS Costs (100% Share)</b>	<b>\$ 19,110</b>	<b>\$ 29,305</b>	<b>\$ 132,569</b>	<b>\$ 18,823</b>	<b>\$ 27,241</b>	<b>\$ 27,241</b>	<b>\$ 27,241</b>	<b>\$ 18,366</b>	<b>\$ 18,366</b>	<b>\$ 18,366</b>	<b>\$ 16,908</b>	<b>\$ 16,908</b>	<b>\$ 16,908</b>	<b>\$ 35,690</b>	<b>\$ 14,656</b>	<b>\$ 14,656</b>	<b>\$ 14,473</b>	<b>\$ 14,473</b>	<b>\$ 14,473</b>	<b>\$ 14,473</b>	<b>\$ 495,772</b>
Cumulative Total (100% Share)	\$ 19,110	\$ 48,416	\$ 180,985	\$ 199,808	\$ 227,049	\$ 254,289	\$ 281,530	\$ 299,896	\$ 318,263	\$ 336,629	\$ 353,537	\$ 370,444	\$ 387,352	\$ 423,043	\$ 437,698	\$ 452,354	\$ 466,826	\$ 481,299	\$ 495,772	\$ 495,772	
Cumulative Total (SCE Share) <sup>(9)</sup>	\$ 14,524	\$ 36,796	\$ 137,549	\$ 151,854	\$ 172,557	\$ 193,260	\$ 213,963	\$ 227,921	\$ 241,880	\$ 255,838	\$ 268,688	\$ 281,538	\$ 294,388	\$ 321,512	\$ 332,651	\$ 343,789	\$ 354,788	\$ 365,787	\$ 376,787	\$ 376,787	

**Notes:**

- (1) Incurred costs post shutdown (i.e., June 8, 2013 - September 30, 2013). For purposes of this analysis, 3/4 of the costs incurred in June 2013 were assumed to be incurred post-shutdown.
- (2) The Base O&M forecast reflects the current estimate to complete for the remainder of 2013. Capital expenditures and other costs have been forecasted separately.
- (3) The Base O&M forecast reflects the current 2014 SONGS O&M budget request. Capital expenditures and other costs have been forecasted separately. 2014 costs may increase due to accelerating certain activities that may ultimately decrease the total cost of decommissioning, such as accelerating removal of fuel from the spent fuel pool. SCE is currently evaluating whether and to what extent to accelerate these activities, and will update its estimate of 2014 costs as appropriate in subsequent filings seeking approval of disbursements for future periods.
- (4) Non-Labor Variable includes approximately \$22,550,000 in 2014 associated with the Radioactive Waste Shipment project.
- (5) Actual headcount will vary slightly from month to month.
- (6) Beginning in October 2013, ISFSI Capital is based on ABZ's Early Decommissioning Cost Estimate (2015).
- (7) A&G is calculated at 2.65% of total costs excluding payroll adders and is not a recorded cost.
- (8) The severance costs shown are the estimate of total severance costs related to the headcount reductions in August 2013 and July 2014 and are not based on recorded costs.
- (9) SCE's share of decommissioning costs is based upon SCE's having an approximately 76% share of the costs. The SONGS participants' respective share of the decommissioning costs is governed by Section 22 of the Second Amended Operating Agreement for SONGS, with the city of Anaheim's share of decommissioning costs also being governed by the Settlement Agreement Relating to SONGS by and between SCE and the City of Anaheim, dated December 20, 2005.

**Southern California Edison  
SONGS Decommissioning  
Advice Letter - Description Of Cost Categories**

Cost Category	Description
<b>Base O&amp;M</b>	
Labor	Labor costs associated with SCE SONGS site personnel.
Payroll Adders	Costs associated with payroll taxes and employee benefits such as health care, dental/vision, pensions, corporate incentive program for SCE SONGS site personnel, and short and long-term disability insurance.
Non-Labor Variable	All other costs that are not classified as fixed costs such as material, contractor support, and expenses.
Non-Labor Fixed	Costs including NRC Fees and other contractually obligated or required regulatory costs (e.g., EPA, Marine & Coastal Fees, water utilities, etc.). Also includes the site leases and easements, and various memberships in industry working groups.
Decommissioning Planning	Non-Labor portion of decommissioning planning activities (e.g., contractor and material costs). SCE Labor portion of decommissioning planning activities are captured in the Labor costs associated with SONGS personnel.
Non-SONGS SCE Labor	Labor costs associated with SCE employees who directly support SONGS (i.e., Transportation, Information Technology and Business & Financial Services), but are not included in the SONGS site headcount and budget.
Non-SONGS SCE Non-Labor	Non-Labor costs associated with services to SONGS associated with other SCE organizational units that are charged to SONGS through Indirect Market Mechanisms.
<b>Capital Expenditures</b>	
Non-ISFSI CapEx	All capital expenditures, excluding ISFSI capital expenditures, necessary for security and regulatory-related projects necessary to fulfill NRC requirements as well as costs associated with closing out projects reduced in scope as a result of the decision to retire SONGS.
ISFSI CapEx	Capital expenditures related to dry fuel storage.
CapEx Allowances	Capital expenditure allowances for potential projects. Includes allowances for Mesa shutdown and changes to the Emergency Response ePlan and Security Plan.
<b>Other Costs</b>	
Workmans Comp	Workman's compensation costs for SONGS employees.
P&L Insurance	Songs related Nuclear and non-Nuclear Property & Liability insurance. Also includes excess Workman's Comp insurance.
ITAS	Portion of corporate level cost assigned to SONGS for Information Technology and Services.
A&G	Administrative and General costs of SCE related to SONGS.
SONGS Severance	Severance related to reduction of SONGS site personnel as a result of SONGS shutdown. It does not include any severance related to the Business Transformation headcount reductions made earlier in 2013.
Non-SONGS Severance	Severance directly related to the shutdown of SONGS for SCE employees not included in the SONGS site headcount. For example, Human Resources, Procurement, and Financial Services all reduced headcount as a result of the SONGS shutdown, but are not included in the SONGS headcount.

# ATTACHMENT 2



# ATTACHMENT 3

**DECLARATION OF THOMAS J. PALMISANO REGARDING INITIAL  
DECOMMISSIONING ACTIVITIES**

I, Thomas J. Palmisano, declare and state:

1. I am Vice President, Nuclear Engineering for Southern California Edison Company (SCE) at the San Onofre Nuclear Generating Station (SONGS). In that capacity, I am responsible for and involved in SCE's initial decommissioning planning activities for SONGS, including the preparation of a site-specific decommissioning plan and cost estimate. I have personal knowledge of the facts and representations herein and, if called upon to testify, could and would do so, except for those facts expressly stated to be based upon information and belief, and as to those matters, I believe them to be true.

2. The purpose of this declaration is to provide an overview of the decommissioning process and SCE's initial decommissioning planning activities, in support of SCE's Tier 3 advice letter submitted to the California Public Utilities Commission (Commission or CPUC).

**I. Methods and Phases of Decommissioning**

3. NRC Regulatory Guide 1.184, "Decommissioning of Nuclear Power Reactors," describes methods and procedures acceptable to the NRC for implementing the NRC regulatory requirements of decommissioning. The regulatory guide goes through the regulatory process that a licensee must follow to decommission a nuclear power plant, and provides guidance for completing these regulatory activities. As defined by 10 CRF 50.2, "decommission" means to remove a nuclear facility from service and reduce residual radioactivity to a level that permits (1) release of the property for unrestricted use and termination of the license, or (2) release of the property under restricted conditions and termination of the NRC license. In particular, NRC regulations identify three methods acceptable for decommissioning: (1) DECON; (2) SAFSTOR; and (3) ENTOMB.

4. For DECON, the equipment, structures, and portions of the facility and site that contain radioactive contaminants are removed or decontaminated to a level that permits termination of the license after cessation of operations.

5. SAFSTOR involves placing the facility in a safe stable condition and maintained in that state until it is subsequently decontaminated and dismantled to levels that permit license termination. During SAFSTOR, a facility is left intact, but the fuel has been removed from the reactor vessel and radioactive liquids have been drained from systems and components and then processed. Radioactive decay occurs during the SAFSTOR period, thus reducing the levels of radioactivity in and on the material and potentially the quantity of material that must be disposed of during decontamination and dismantlement (D&D).

6. ENTOMB involves encasing radioactive structures, systems, and components in concrete or similarly long-lasting material. The entombed structure is appropriately maintained, and continued surveillance is carried out until the radioactivity decays to a level that permits termination of the license. SCE will not use the ENTOMB decommissioning method for SONGS.

7. NRC regulations provide that the three decommissioning methods may be combined. As further discussed in this declaration, SCE will be developing a site-specific plan that may combine DECON and SAFSTOR decommissioning methods.

8. Regulatory Guide 1.184 further describes three broad phases for the decommission process. Phase 1 of decommissioning “includes the initial activities, starting on the effective date of permanent cessation of operations...”; this phase is approximately 2 years in duration. Phase 2 “encompasses activities during the storage period or during major decommissioning activities...”; this phase is variable in length but up to 50 or more years after cessation of operation. Phase 3 “consists of the rest of the activities that the licensee undertakes to terminate the license”; this phase must be complete within 60 years of ceasing operation.

9. SCE’s request for CPUC approval of disbursements from the Master Trusts are for decommissioning costs generally incurred in Phase 1.

## II. Key Regulatory Submittals

10. SCE is required to submit a number of written certifications, reports, and plans in connection with the decommissioning activities for SONGS. The key regulatory submittals include: (1) Certification of Permanent Cessation of Operation; (2) Certification of Permanent Removal of Fuel; (3) Irradiated Fuel Management Plan; (4) a site-specific Decommissioning Cost Estimate (DCE); (5) Post Shutdown Decommissioning Activities Report (PSDAR); and (6) License Termination Plan (LTP). I will describe these key submittals in further detail below.

11. **Certification of Permanent Cessation of Operation:** Pursuant to 10 CFR 50.82(a)(1)(i), when a licensee has decided to permanently cease operations, the licensee must submit a Certification of Permanent Cessation of Operation to the NRC within 30 days of that decision, consistent with the requirements provided in 10 CFR 50.4(b)(8). SCE submitted this certification on June 12, 2013.

12. **Certification of Permanent Removal of Fuel:** Once a licensee has permanently removed the fuel from the reactor vessel, 10 CFR 50.82(a)(1)(ii) requires the licensee to submit a Certification of Permanent Removal of Fuel to the NRC consistent with the requirements provided in 10 CFR 50.4(b)(9), stating the date the fuel was permanently removed from the reactor vessel and the disposition of the fuel. SCE submitted the certification for Unit 3 on June 28, 2013, and for Unit 2 on July 23, 2013.

13. **Decommissioning Cost Estimate:** Pursuant to 10 CFR 50.82(a)(8)(iii & iv), “within 2 years following permanent cessation of operations, if not already submitted, the licensee shall submit a site specific decommissioning cost estimate... the licensee shall provide a means of adjusting cost estimated and associated funding levels over the storage or surveillance period.” Accordingly, SCE must prepare a site-specific DCE for SONGS, to reflect the permanent retirement date of June 7, 2013 and the methods selected for decommissioning, and delineate the methods of adjusting costs through the decommissioning periods. The DCE is prepared and issued in Phase 1 of the decommissioning process.

14. **Irradiated Fuel Management Plan:** Pursuant to 10 CFR 50.54(bb), SCE must submit to the NRC an Irradiated Fuel Management Plan (IFMP), which is an overall plan for the management of used fuel, within 2 years following permanent

cessation of operation of the reactor or 5 years before expiration of the reactor operating license, whichever occurs first. The plan describes the specific periods of storage of spent fuel beginning with the time at which the units are defueled, and ending with the demolition of the ISFSI storage system. Each time period describes: (1) the location of the fuel; (2) methods of cooling; (3) number and type(s) of canisters; (4) a shipping schedule which describes fuel movements (on-site and off-site); and (5) annual cash flow analysis. The IFMP is prepared and issued in Phase 1 of the decommissioning process.

15. **Post-Shutdown Decommissioning Activities Report (PSDAR):**

Pursuant to 10 CFR 50.82(a)(4)(i), within 2 years following permanent cessation of operations, the licensee shall submit a PSDAR to the NRC and send a copy to the affected State(s). The PSDAR will include a description of the planned decommissioning activities, a schedule for the completion of these activities, an estimate of the expected costs, and a discussion that provides the reasons for concluding that the environmental impacts associated with the site-specific decommissioning activities will be bounded by appropriate, previously issued environmental impact statements. The standard format for the PSDAR is provided in Regulatory Guide 1.185, "Standard Format and Content for Post-Shutdown Decommissioning Activities Report." The PSDAR will include a description of the method or combination of methods selected for decommissioning and the bases of the DCE. In addition, SCE will be required to prepare and submit in support of the PSDAR a historical site assessment; site characterization survey; and an evaluation of potential environmental impacts in comparison to prior environmental evaluations. The PSDAR is prepared and issued in Phase 1 of the decommissioning process.

16. **License Termination Plan:** Regulatory Guide 1.179, "Standard Format and Content of License Termination Plans for Nuclear Power Reactors," provides the standard format and content of a License Termination Plan (LTP) for Nuclear Power Reactors. As provided in this regulatory guide, "the LTP should discuss the current site radiological condition, remaining remediation activities, and costs for implementing them, final site radiological surveys, and radiological criteria for license termination and

methods for demonstrating compliance.” The LTP is prepared and issued in Phase 3 of the decommissioning process.

### **III. Initial Decommissioning Planning and Near-Term Activities for SONGS**

17. Regulatory Guide 1.184 provides overall planning guidance, but concentrates generally on regulatory submittals only, not the planning for decommissioning. Therefore, SCE will utilize the EPRI “Decommissioning Pre-Planning Manual” to develop the initial site-specific decommissioning plan for SONGS. The manual outlines 32 distinct tasks, addressing regulatory, commercial, and personnel-related activities.

18. Complimentary to the EPRI and NRC guidance, SCE also conducted benchmarking trips at three decommissioning nuclear facilities (Kewaunee, Zion, and Crystal River nuclear power plants). The trips will provide SCE with information regarding the decommissioning process that SCE will be able to use as it develops the site-specific decommissioning plan and cost estimate for SONGS.

19. As noted above, the decommissioning process occurs in three phases. SCE is just beginning Phase I and developing the site-specific decommissioning plan and cost estimate.

#### **Phase 1 – Initial Activities**

20. **Initial Planning Period:** Initial planning includes appointing team leaders, establishing the organization along with definition of roles and responsibilities, ensuring infrastructure is in place, and developing the necessary accounting systems to capture decommissioning costs. In addition, a key component of the planning is to develop a schedule that identifies the overall plan and provides graphic representation of the decisions made as well as decisions that require confirmation as the project progresses. SCE is in the process of developing this schedule. In addition, the Emergency Plan and Security Plan for SONGS will be reviewed to determine what options can be undertaken for optimization. Separately, the SONGS shutdown safety analyses, updated final safety analysis report (UFSAR) update, and shutdown technical specification will also be prepared.

21. **Pre-SAFSTOR and Regulatory Submittal Activities:** As noted above, during Phase 1, a number of submittals are required in accordance with 10 CFR 50.82 for a plant entering decommissioning.

22. The required certification for cessation of operation and fuel offload are complete.

23. SCE is planning on preparing the PSDAR, IFMP, and DCE in the middle to latter part of the 24 month allotted period. Various options for the length of time for DECON and potential SAFSTOR and the ultimate dismantling of SONGS will be evaluated.

24. Allowing for an appropriate amount of time to prepare and confirm the bases of the three submittals (PSDAR / IFMP / DCE) is paramount. For this reason, SCE plans to take up to a year or more to consider and prepare these three key submittals. Submittal of these documents in the middle to latter part of the 24 month time period also reduces the potential for submittal revisions. The three submittals fulfill NRC decommissioning-reporting requirements and allow full access to the NRC decommissioning funds in the Master Trusts. During this phase, the methods and controls related to system abandonment, procedures update, design change control, and configuration management will be evaluated for change consistent with a non-operating nuclear plant in decommissioning.

25. In addition to preparing these three submittals, SCE will also continue to maintain storage of used fuel in the SONGS 2&3 spent fuel pools, and transfer spent fuel from the spent pools to casks in the SONGS ISFSI in accordance with the NRC license and regulatory requirements for the ISFSI.

26. During Phase 1, NRC regulations limit the use of Master Trusts funds to 3% of the generic "formula amount" provided in 10 CFR 50.75. In subsequent decommissioning phases following the submission of the three submittals described above, NRC's regulations governing the NRC License Termination portion of the decommissioning funds authorize the use of 100% of this portion of the Master Funds for approved NRC License Termination activities. The NRC restrictions on the use of trust funds do not apply to withdrawals from the trust funds for non-radiological costs such as severance, site restoration, and fuel storage.

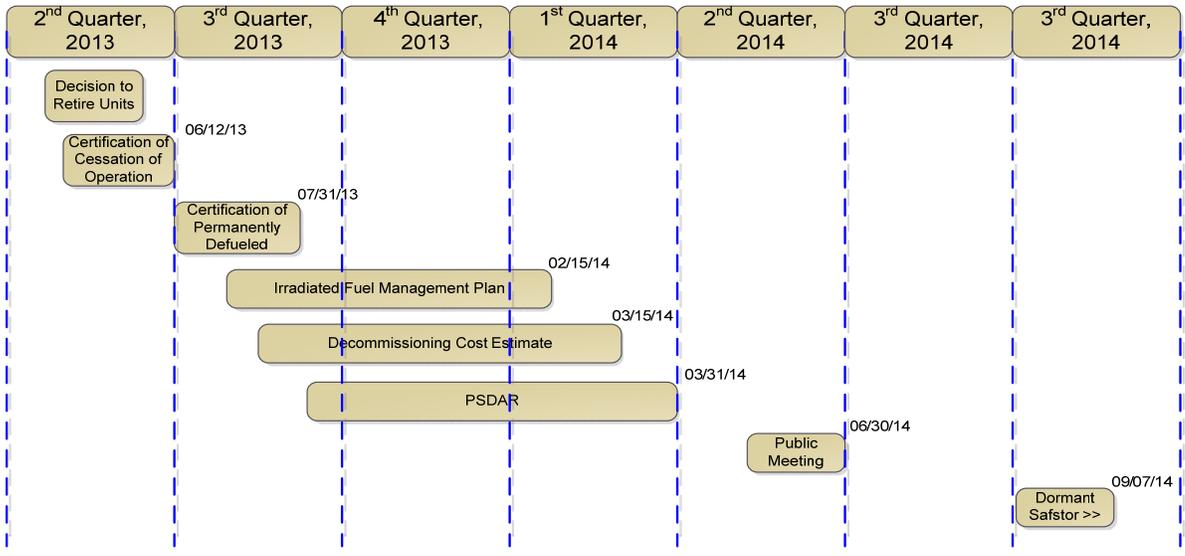
## **Phase 2 – Storage and Major Decommissioning Activities**

27. **SAFSTOR Period:** SCE has not finalized any plans regarding entering SAFSTOR. Contingency plans will be developed for utilizing the ISFSI in the event the DOE does not take possession of the spent fuel. SCE will also evaluate options for the timing and scope of D&D activities, which, among other things, will involve (1) considering the timing of removing spent fuel from the spent fuel pools; (2) evaluating radiological issues; and (3) determining the required end state for the site. For example, although it is possible to begin D&D prior to removing spent fuel from the spent fuel pools, there are fewer radiological safety issues involved with the spent fuel pools empty. SCE will consider these types of issues as it develops these plans.

28. Because the SONGS site is on an easement granted by the United States Navy (USN), the original lease stipulates certain end state conditions that may need to be revisited, particularly with regard to the depth of D&D activities below ground surface. Revisiting these commitments will have a significant effect on the plan for D&D, and the overall cost of D&D. Accordingly, during this period, SCE will seek to develop with the USN a final agreement on the end state of D&D for the site.

29. **Decontamination and Dismantling (D&D) of SONGS 1,2,3:** By current regulations, the D&D must be complete and the land returned to a condition allowing release for restricted or unrestricted use and termination of the licenses within sixty years of the announcement to retire the units (i.e., June, 2073). It is currently assumed that the remaining portion of the decommissioning activities for SONGS Unit 1 will be completed at the same time as Unit 2 and 3. As noted above, SCE will develop D&D plans in order to meet the conditions set in a final agreement with the USN regarding the end state of D&D at the site.

30. SCE anticipates the following general decommissioning timeline for the initial decommissioning planning and near-term decommissioning-related submittals to the NRC regarding SONGS, while acknowledging that the site-specific decommissioning activities plan and cost estimate for SONGS remains subject to various state and federal regulatory approvals:



### **Phase 3 – License Termination**

31. Following Phases 1 and 2 above, SCE will need to submit a LTP to the NRC. As noted above, the LTP will discuss the site radiological condition, remaining remediation activities, and costs for implementing them, final site radiological surveys, and radiological criteria for license termination and methods for demonstrating compliance.

#### **IV. Interim Disbursements**

32. SCE estimates the expenditure of up to \$282 million (100% share) of SONGS 2&3 decommissioning costs through December 31, 2013. SCE requests the Commission to authorize disbursements of up to \$214 million (SCE Share) from the Master Trusts for SCE's share of these costs. Attachment 1 to the advice letter provides a summary of decommissioning costs for the first 18 months of the decommissioning through December 31, 2014.

33. The decommissioning costs incurred in 2013 include (1) Base O&M necessary to ensure the radiological safety and security of SONGS, and to commence decommissioning activities; (2) capital expenditures related to the Independent Spent Fuel Storage Installation (ISFSI) and site-security projects; and (3) other costs such as workers compensation, insurance, and severance (if allowed as decommissioning costs under tax rules). More specifically, as explained in further detail below, the Base O&M decommissioning costs in 2013 are necessary for: (1) commencing a site-specific SONGS 2&3 decommissioning plan and detailed cost estimate, and preparing decommissioning-related submittals to the Nuclear Regulatory Commission (NRC); (2) managing used fuel stored at SONGS; and (3) paying for other near-term non-radiological decommissioning costs, including the option to pay for employee-related decommissioning costs allowable under the Nuclear Facilities Decommissioning Act of 1985 (Decommissioning Act), if certain federal tax issues are resolved favorably. In the advice letter, SCE expressly seeks the authority to propose a different means to recover the severance expenses incurred in decommissioning, if payment from the decommissioning trust would compromise the beneficial tax status of the trusts or if another cost-recovery alternative is appropriate.

34. The NRC permits the use of up to 3 percent of the estimated decommissioning costs pursuant to 10 CFR 50.75 to fund the initial detailed planning for the radiological decommissioning (or NRC License Termination) at nuclear plant sites. The Master Trusts similarly anticipate the use of 3 percent of the amount set by Section 50.75 for detailed planning

purposes. SCE will need to complete this detailed planning by developing a site-specific decommissioning activities plan that will be described in various submittals described above.

35. There will be a number of near-term used-fuel management activities that require funding from the Master Trusts. Although SONGS is permanently retired, SCE must continue to meet applicable NRC requirements during the decommissioning process prior to license termination. In particular, SCE must continue to maintain the safety and security of used fuel for the radiological health and safety of the public. The activities will include storing the used fuel in the SONGS 2&3 spent fuel pools, transferring used fuel from the spent fuel pool to casks in the SONGS Independent Spent Fuel Storage Installation (ISFSI), and continued storage of used fuel in the ISFSI.

36. SCE will assess the feasibility of accelerating the transfer of used fuel from the spent fuel pools to the ISFSI, and also assess isolating the spent fuel pools so that ocean cooling will no longer be required. The costs of these activities are not included in the 2013 costs, and will be identified as appropriate in subsequent advice letters seeking approval of disbursements for future periods.

37. SCE will also incur non-radiological decommissioning costs related to certain support functions for SONGS decommissioning, such as procurement, finance, human resources (HR), and information technology (IT) activities. The non-radiological decommissioning costs also include costs for insurance, workers compensation, and taxes. In addition, the largest near-term expense incurred by SCE that is directly associated with the retirement of SONGS 2&3 are employee-related costs, including labor expenses, costs associated with payments to departing SCE employees at the SONGS site or whose work primarily relates to SONGS 2&3, and assistance with their job searches. SCE has applied to the Internal Revenue Service for a private letter ruling to confirm that disbursements from the decommissioning trust to fund severance would not compromise the trusts' beneficial tax status. As noted above, SCE seeks the authority to propose a different means to recover the severance expenses incurred in decommissioning, if payment from the decommissioning trust would compromise the beneficial tax status of the trusts or if another cost-recovery alternative is appropriate.

#### **V. Designation of Trust Funds Allocable to NRC License Termination**

38. The NRC's regulations in 10 CFR 50.75(h)(2) and 10 CFR 50.82 impose restrictions on the use of trust funds designated for NRC License Termination purposes. However, these rules do not apply to amounts authorized by the CPUC to be accumulated and commingled in the Master Trusts for other purposes. NRC allows the commingling of such

other funds, provided that the amounts allocable to NRC License Termination are clearly identified. The NRC License Termination portions of the trust funds for SONGS 2&3 can be identified based upon an allocation derived from the most recent cost estimate submitted by SCE to the CPUC, which assumes a 2013 shutdown of SONGS 2&3, as follows:

	Latest NDCTP Estimate 100% Level	SCE Share*	Calculated Value	Breakdown of Trust Fund** Using Calculated Value
SONGS 2		75.7363%		
License Termination	849,547	643,415	43%	567,132
Site Restoration	436,725	330,759	22%	291,544
Fuel Storage	686,292	519,772	35%	458,148
Total	1,972,564	1,493,947	100%	1,316,824
SONGS 3		75.7475%		
License Termination	829,091	628,016	38%	569,761
Site Restoration	606,393	459,328	28%	416,720
Fuel Storage	724,291	548,632	34%	497,741
Total	2,159,775	1,635,976	100%	1,484,221
Grand Total	4,132,339	3,129,923		2,801,045
* Share as of shutdown				
** 7/31/2013 Trust Balances				

39. Based upon this allocation, the NRC License Termination amount as of December 31, 2012 is \$567.132 million for SONGS 2 and \$569.761 million for SONGS 3. The remaining amounts in the trust funds would be subject to Commission jurisdiction, but would not be subject to the NRC restrictions applicable to the NRC License Termination amounts.

## VI. SONGS Decommissioning Staffing Plans

40. Based on SCE's announcement on June 7, 2013, to permanently retire SONGS 2 & 3, SONGS staffing levels were reduced to approximately 575 employees by October, 2013. Departing SONGS employees and employees who primarily support SONGS will receive payments as allowed under Public Utilities Code Sections 8321 et seq.

41. The reduction to 575 employees is possible because many of the functions that were required to support SONGS 2 & 3 operations are no longer required. SCE developed the SONGS permanent retirement staffing level of 575 by analyzing a

combination of (1) staffing plans of other nuclear facilities that are decommissioning, and (2) the work required in a permanent retirement state.

42. SCE plans to further reduce staffing in 2014 to approximately 400 employees.

43. This organization plan is based upon the 10 CFR 50.82 defueled certification and NRC approval of the 10 CFR 50.54(q) Emergency Plan changes.

44. I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on November 13, 2013, at San Clemente, California.

/s/ Thomas J. Palmisano

Thomas J. Palmisano