

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



September 24, 2002

Advice Letter: 1648-E

Akbar Jazayeri
Director of Revenue and Tariffs
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

SEP 30 2002
REVENUE & TARIFFS DEPT.

Reference: Amendment of qualified and nonqualified nuclear decommissioning trust agreements to reflect the appointment of Mellon Bank, N. A. as the trustee and revision of the trustee fee schedule

Dear Mr. Jazayeri:

Advice Letter 1648-E is effective September 26, 2002. A copy of the advice letter is included herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas Long".

Douglas Long
Energy Division

September 6, 2002

ADVICE 1648-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: **Amendment of the Southern California Edison Company Qualified and Nonqualified Nuclear Decommissioning Trust Agreements to Reflect the Appointment of Mellon Bank, N.A. as the Trustee and Revision of the Trustee Fee Schedule**

Southern California Edison Company (SCE), on behalf of its Nuclear Facilities Decommissioning Master Trust Committee (Committee), hereby submits amended and restated Qualified and Nonqualified Decommissioning Trust Agreements (Trust Agreements)^{1/} for approval pursuant to Section 2.12 of the Qualified Trust Agreement and Section 2.10 of the Nonqualified Trust Agreement.

PURPOSE

This advice filing requests the California Public Utilities Commission (Commission) to approve the amended and restated Trust Agreements. The Trust Agreements have been revised to reflect appointment of Mellon Bank, N.A. (Mellon) as Trustee in place of The Northern Trust Company (Northern), to include a revised fee schedule, to make certain clarifications and to incorporate standardized text required by Mellon in its trust agreements.

^{1/} The Southern California Edison Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement For San Onofre and Palo Verde Nuclear Generating Stations as proposed to be amended is attached as Exhibit A and the Southern California Edison Company Nuclear Facilities Nonqualified CPUC Decommissioning Master Trust Agreement For San Onofre and Palo Verde Nuclear Generating Stations as proposed to be amended is attached as Exhibit B.

BACKGROUND

In Order Instituting Investigation No. 86 (OII 86), the Commission conducted an extensive investigation, on its own motion, into alternative methods of financing the ultimate cost of decommissioning the nuclear power plants owned by California utilities.^{2/} In D.87-05-062, the Commission adopted externally managed trust funds as the investment vehicles for accruing funds for the ultimate decommissioning of the nuclear power plants owned by California utilities.^{3/} In that decision, the Commission also established guidelines for preparing these trust agreements.^{4/}

In response to D.87-05-062, SCE established two trusts for its nuclear decommissioning costs. The Qualified Trust was established as the vehicle to hold the decommissioning funds for contributions that qualify for an income tax deduction under Section 468A of the Internal Revenue Code, and the Nonqualified Trust was designed to hold the remaining funds. On November 25, 1987, the Commission approved SCE's trust agreements by Resolution E-3057.

The Trust Agreements provide for oversight by a Committee consisting of five members, at least three of whom cannot be employees, officers, directors, or agents of SCE. The Committee is required, among other things, to evaluate the performance of the trustee annually, and at least once every three years to evaluate potential substitute trustees.^{5/}

The triennial trustee evaluation was recently conducted by the SCE Investments staff and their findings were presented to the Committee at its meeting on May 6, 2002. The Investments staff recommended that The Northern Trust Company be replaced as trustee of the Qualified and Nonqualified Trusts because (i) Mellon's proposed fees are 10% - 14% lower than Northern's, (ii) Northern's lack of nuclear decommissioning trust client base is a business risk to the trusts, and Mellon has greater tax preparation and filing capability. In response to the Investments staff report, the Committee unanimously adopted the resolution attached as Exhibit C approving the appointment of Mellon Bank, N.A. as trustee of the Qualified Trust and the Nonqualified Trust, approving Mellon's proposed fee schedule, authorizing amendment of the Trust Agreements to reflect those changes and approving submission of the *Report of the Southern California Edison Company Nuclear Facilities Decommissioning Master Trust Committee to the California Public Utilities Commission on the 2001 Performance of the Trustee and Investment*

^{2/} OII 86, January 21, 1981, p. 3.

^{3/} D.87-05-062, May 29, 1987, Ordering Paragraph No. 2, pp. 37-38.

^{4/} Id. Conclusions of Law 5 and 6, p. 37.

^{5/} See, the Qualified Trust as restated December 27, 1997, §3.05, p. 12 (same text at p. 13, Exhibit A); and the Nonqualified Trust as restated December 27, 1997, §3.05, p. 11 (same text at p. 13, Exhibit B).

Managers for the Qualified and Nonqualified Trusts to the Commission. An excerpt of that report addressing the trustee review is attached as Exhibit D.

The amended and restated Qualified Trust Agreement and Nonqualified Trust Agreement attached as Exhibits A and B are marked to show changes.

PROCEDURAL INFORMATION

Amendment of the Trust Agreements requires Commission approval.^{6/} Under Section 2.12 of the Qualified Trust Agreement and Section 2.10 of the Nonqualified Trust Agreement, the Committee is authorized to amend the Trust Agreements thirty days after filing a copy of the proposed amendments with the Commission provided no written objections are filed within that period. The text of the two sections is identical, and states in relevant part:

“The Committee may also amend this agreement thirty days after filing a copy of the proposed amendment with the CPUC. No proposed amendment may be made if written objections to a proposed amendment are filed within the thirty-day period. Any party making written objections to a proposed amendment shall serve the written objections with a certificate of service on the Company, the Committee, the Trustee, and the CPUC Staff on the same day the written objections are filed with the CPUC.”

No cost information is required for this advice filing.

This advice filing will not increase or decrease any rate or charge, conflict with other schedules or rules, or cause the withdrawal of service.

EFFECTIVE DATE

The restated Trust Agreements are proposed to be executed if no objections are received by the Commission within thirty days.

NOTICE

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

^{6/} See, the Qualified Trust as restated December 27, 1997, §2.12, p. 10 (same text at p. 11, Exhibit A); and the Nonqualified Trust as restated December 27, 1997, §2.10, p. 9 (same text at p. 11, Exhibit A).

IMC Program Manager
Energy Division
California Public Utilities Commission
c/o Jerry Royer
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: jjr@puc.ca.gov

A copy should also be sent to the attention of the Director, Energy Division, Room 4004, (same address as above).

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

Akbar Jazayeri
Director of Revenue and Tariffs
c/o Emelyn Lawler
Southern California Edison Company
2244 Walnut Grove Avenue, Rm. 303
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: Emelyn.Lawler@sce.com

Bruce Foster
c/o Karyn Gansecki
Vice President of Regulatory Operations
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 673-1116
E-mail: 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 III, Paragraph G, of General Order No. 96-A, SCE is furnishing copies of this advice filing to the interested parties shown on the attached service list. Address change requests to the attached GO 96-A Service List should be directed to Emelyn Lawler at (626) 302-3985 or by electronic mail at Emelyn.Lawler@sce.com. For changes to all other service lists, please contact Maria Vengerova of the Commission's Process Office at (415) 703-2021 or by electronic mail at ven@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 open for public inspection at SCE's corporate headquarters. To view other SCE advice letters filed with the Commission, log on to SCE's web site at <http://www.sce.com/> and choose Regulatory Info Center/Advice Letters.

For questions, please contact Dave Ertel at (626) 302-4494 or by electronic mail at David.Ertel@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:mdm
Enclosures