

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



December 27, 2010

Advice Letter 2529-E

Akbar Jazayeri
Vice President, Regulatory Operations
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

**Subject: Recovery of Removal and Disposal Costs for the Original
SONGS Steam Generators Pursuant to D.05-12-040**

Dear Mr. Jazayeri:

Advice Letter 2529-E is effective January 1, 2011.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division

November 22, 2010

ADVICE 2529-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Recovery of Removal and Disposal Costs for the Original
SONGS Steam Generators Pursuant to Decision 05-12-040

In compliance with Decision (D.)05-12-040, Southern California Edison Company (SCE) hereby submits for filing the following changes to its authorized revenue requirement for removal and disposal costs for the original San Onofre Nuclear Generating Station Units 2 & 3 (SONGS 2 & 3) steam generators.

PURPOSE

This advice filing sets forth SCE's 2011¹ revenue requirement related to 20 percent of SCE's ownership share of the estimated removal and disposal costs for the SONGS 2 & 3 original steam generators pursuant to Ordering Paragraph No. 12 of D.05-12-040.

BACKGROUND

In February 2004, SCE filed Application (A.)04-02-026 seeking California Public Utilities Commission (Commission) authorization for its proposed SONGS 2 & 3 Steam Generator Replacement Project (SGRP). On December 15, 2005, the Commission issued D.05-12-040, addressing, among other items, the recovery of removal and disposal costs for the SONGS 2 & 3 original steam generators. D.05-12-040 authorizes SCE to recover, through depreciation, 20 percent of its ownership share of the estimated costs of removal and disposal of the original SONGS 2 & 3 steam generators over the period 2006 through 2011. The remaining 80 percent of SCE's ownership

¹ Pursuant to D.05-12-040, 2011 is the final year that SCE seeks revenue requirement authorization for the removal and disposal costs for the original SONGS 2 & 3 steam generators. Therefore, this is the last advice letter that SCE will file on this matter.

share is to be depreciated over the remaining lives of SONGS 2 & 3 after the SGRP is completed.

SCE filed Advice 2402-E on November 16, 2009, to set forth SCE's 2010 revenue requirement related to 20 percent of SCE's ownership share (78.21 percent) of the estimated removal and disposal costs for the SONGS 2 & 3 original steam generators. This Advice Letter was filed with the 7.5 percent burial escalation rate adopted by D.03-10-015 and confirmed in D.07-01-003. SCE committed to update the burial escalation rate to 6.93 percent and the resulting revenue requirement to be recorded in the Base Revenue Requirement Balancing Account (BRRBA) upon receiving a final Commission decision in its 2009 Nuclear Decommissioning Cost Triennial Proceeding (A.09-04-009). On March 3, 2010, the Energy Division approved Advice 2402-E effective January 1, 2010. The Commission issued D.10-07-047 adopting, among other things, SCE's 6.93 percent burial escalation rate, and SCE updated its revenue requirement recorded in BRRBA, effective May 1, 2010.²

2011 SONGS SGRP REMOVAL AND DISPOSAL COSTS REVENUE REQUIREMENT

SCE hereby sets forth the 2011 revenue requirement associated with the recovery of 20 percent of its ownership share of the estimated total costs for the removal and disposal of the original SONGS 2 & 3 steam generators effective January 1, 2006 through December 31, 2011. SCE estimated its total removal and disposal costs for the original SONGS 2 & 3 steam generators to be \$111 million (2004 dollars, 100 percent level). D.05-12-040 authorizes SCE to recover its ownership share (78.21 percent) of 20 percent of the total amount (\$22.2 million), through depreciation expense over the period 2006 – 2011. The table below sets forth the January 1, 2011 annual revenue requirement of \$4.06 million (without franchise fees and uncollectibles) which will be recorded in the BRRBA on an annual basis for the year 2011.³

² Refer to Attachment 2 for Settlement Agreement terms.

³ Refer to Attachment 1 and Attachment 2 for the Non-Burial and Burial Escalation Rates shown in Table 1.

Table 1					
2011 SONGS Steam Generator Replacement Program					
Removal and Disposal Costs Revenue Requirement					
(in millions of dollars)					
SGRP Removal & Disposal Costs				\$ 111.20	2004\$
Authorized Recovery of 20%				22.20	2004\$
SCE's Current Share				78.21%	
SCE's Share of Removal Costs				17.36	2004\$
Amount to be included annually in rate levels from 2006-2011				2.89	2004\$
Removal Costs	2.89 x	75.3%	=	2.18	2004\$
Disposal Costs	2.89 x	24.7%	=	0.72	2004\$
Non-Burial Escalation Rate for Removal Costs 1/			1.3260	2.89	2011\$
Burial Escalation Rate for Disposal Costs 2/			1.6415	<u>1.17</u>	2011\$
Total Removal & Disposal Costs to be recorded in BRRBA in 2011				\$ 4.06	2011\$
Total Removal & Disposal Costs to be reflected in 2011 rate levels with Franchise Fees & Uncollectibles				\$ 4.11	2011\$
1/ Construction index from October 2010 Global Insight projection. (See Attachment 1)					
2/ 6.93% escalation rate agreed to in settlement adopted by D.10-07-047. (See Attachment 2)					

SCE will consolidate the January 1, 2011 revenue requirement with franchise fees and uncollectibles in rate levels in its next scheduled rate change which will be implemented in SCE's compliance advice filing expected to be filed in early 2011.

The Commission will have an opportunity to review the monthly entries to the BRRBA associated with this advice filing in SCE's annual April Energy Resource Recovery Account (ERRA) Reasonableness application to ensure that the entries made in the BRRBA are stated correctly and are consistent with D.05-12-040.

TIER DESIGNATION

Pursuant to General Order (GO) 96-B, Energy Industry Rule 5.2 (2), this advice letter is submitted with a Tier 2 designation.

EFFECTIVE DATE

SCE requests that this advice filing become effective on January 1, 2011, in accordance with Ordering Paragraph No. 12 of D.05-12-040 which authorizes SCE to recover 20 percent of its ownership share of the estimated removal and disposal costs for the original SONGS 2 & 3 steam generators over the period 2006 through 2011.

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 mailed to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: inj@cpuc.ca.gov and mas@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:

Akbar Jazayeri
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Bruce Foster
Senior Vice President, Regulatory Operations
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5540
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 4, of GO 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached GO 96-B and A.04-02-026 service lists. Address change requests to the GO 96-B service list should be directed to by electronic mail at AdviceTariffManager@sce.com or at (626) 302-2930. For changes to all other service lists, please contact the Commission's Process office at (415) 703-2021 or by electronic mail at 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 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/AboutSCE/Regulatory/adviceletters>.

For questions, please contact Michael Parise at (626) 302-1888 or by electronic mail at Michael.Parise@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:mjp:sq
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: James Yee

Phone #: (626) 302-2509

E-mail: James.Yee@sce.com

E-mail Disposition Notice to: 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) #: 2529-E Tier Designation: 2

Subject of AL: Recovery of Removal and Disposal Costs for the Original SONGS Steam Generators Pursuant to Decision 05-12-040

Keywords (choose from CPUC listing): Compliance, Nuclear

AL filing type: Monthly Quarterly Annual One-Time Other

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

D.05-12-040

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 AL¹: _____

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: 1/1/11 No. of tariff sheets: -0-

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: None

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: _____

¹ 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 Ave.,
San Francisco, CA 94102
inj@cpuc.ca.gov and mas@cpuc.ca.gov

Akbar Jazayeri
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Bruce Foster
Senior Vice President, Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5540
E-mail: Karyn.Gansecki@sce.com

Attachment 1

**October 2010 Global Insight Escalation Rates
For Non-Burial**

Cost Trends of Electric Utility Construction: Pacific Region
 Global Insight Construction Cost Q3 2010 (10/22/10)

	Base Year		2004	
Year	Total Nuclear Production Plant: JUEPPN@PCF	% Change	Total Nuclear Production Plant: JUEPPN@PCF Index	Growth %
2004	442.00		100.00	
2005	470.80	6.52%	106.52	6.52%
2006	494.50	5.03%	111.88	5.03%
2007	518.30	4.81%	117.26	4.81%
2008	553.00	6.69%	125.11	6.69%
2009	557.00	0.72%	126.02	0.72%
2010	577.10	3.61%	130.57	3.61%
2011	586.10	1.56%	132.60	1.56%

Attachment 2

**Global Insight Escalation Rates
For Burial Adopted in D.10-07-047**

Nuclear Burial Escalation

Year	Nuclear	
	Index	% Growth
2004	100.000	
2005	107.500	7.50%
2006	115.563	7.50%
2007	124.230	7.50%
2008	133.547	7.50%
2009	143.563	7.50%
2010	153.512	6.93%
2011	164.150	6.93%

Decision 10-07-047 July 29, 2010

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
in its 2009 Nuclear Decommissioning Cost
Triennial Proceeding. (U39E)

Application 09-04-007
(Filed April 3, 2009)

Joint Application of Southern California Edison
Company (U338E) and San Diego Gas & Electric
Company (U902E) for the 2009 Nuclear
Decommissioning Cost Triennial Proceeding to
Set Contribution Levels for the Companies'
Nuclear Decommissioning Trust Funds and
Address Other Related Decommissioning Issues.

Application 09-04-009
(Filed April 3, 2009)

(See Appendix D for List of Appearances.)

**DECISION ON PHASE 1 OF THE TRIENNIAL REVIEW
OF NUCLEAR DECOMMISSIONING TRUSTS
AND RELATED DECOMMISSIONING ACTIVITIES
FOR SOUTHERN CALIFORNIA EDISON COMPANY, SAN DIEGO GAS &
ELECTRIC COMPANY, AND PACIFIC GAS AND ELECTRIC COMPANY**

in any other proceeding as being indicative of the opinion of any party in such other proceedings.

2. Decommissioning Cost Estimates

2.1 Adoption of SONGS, Palo Verde, Diablo Canyon and Humboldt Bay Decommissioning Cost Estimates

The Utilities' cost estimates for San Onofre Nuclear Generating Station ("SONGS") Units 1, 2, & 3, Palo Verde Units 1, 2, & 3, Diablo Canyon Units 1 & 2, and Humboldt Bay Unit 3 are reasonable for purposes of setting the authorized revenue requirements in this Nuclear Decommissioning Cost Triennial Proceeding ("NDCTP") and for future review of SONGS Unit 1 and Humboldt Bay Unit 3 decommissioning expenditures in the next NDCTP application.

SCE's new revenue requirement would take effect on May 1, 2010.

SDG&E would change its annual contributions on May 1, 2010.

PG&E would change its revenue requirements as of January 1, 2010, and make corresponding changes to its decommissioning contributions.

2.2 Report for next NDCTP

Three individuals shall be retained to analyze certain issues for the next and only the next NDCTP, with a budget not to exceed \$250,000, unless an increase in the budget is agreed to by SCE, SDG&E, and PG&E. The review will be conducted by Bruce Lacy of the Lacy Consulting Group, Geoffrey Griffiths of TLG Services, and Nick Capik of ABZ, Inc. (the "reviewers"). The reviewers will prepare a report addressing the specific issues set forth below. Costs incurred for the report will be paid by the three Utilities (based on proportionate shares) and eligible for full recovery in rates.

The report will identify key assumptions for the decommissioning cost estimates for Palo Verde, SONGS, and Diablo Canyon for the next NDCTP. More specifically, the report shall include the following:

- Identifying, comparing, and explaining the key cost and financial assumptions driving differences in the cost estimates, including SCE adjustments for Palo Verde, for the three facilities.
- Identifying, comparing, and explaining similarities and differences in decommissioning costs, challenges, and approaches for California nuclear units and plants of similar design and configuration in other states.

3.1 Updating of fund balances

For SCE and SDG&E, all trust fund balances should be updated as of 12/31/09 for purposes of determining contribution requirements for this NDCTP cycle.

3.2 Equity returns

8.75% pre-tax for SCE and SDG&E.

3.3 Debt returns

4.2% post tax for SCE and SDG&E.

3.4 Escalation rates

The escalation rates used by SCE and SDG&E for all categories other than LLRW burial are reasonable. For LLRW burial escalation, a 6.93% rate shall be used for SCE and SDG&E.

3.5 Cash in portfolio

(SDG&E only) For ratemaking purposes, SDG&E agrees to assume that 50% of portfolio will be held in cash after 2030, but reserves the right to manage its investments pursuant to the advice of its Trust Committee and, where SDG&E's Trust Committee determines that limiting its cash position to 50% is not reasonable, to contest this provision in the next NDCTP.

3.6 Taxes on realized/unrealized capital losses

For Investments Held in the Decommissioning Trusts

The purpose of calculating the Trust Net Liquidation Value is to simulate the conversion of all investments into cash. Thus, the Trust Net Liquidation Value assumes the tax realization of gains and losses for all existing investments. As such, the Trust Net Liquidation Value shall be equal to (1) the fair market value of the existing investments, (2a) minus the product of the composite income tax rate multiplied by the excess of the fair market value of existing investments over the cost basis of existing investments, or (2b) plus the product of the composite income tax rate multiplied by the excess of the cost basis of existing investments over the fair market value of existing investments.

For Tax Implications Not Reflected in the Trust Net Liquidation Value