

Decision 05-12-040 December 15, 2005

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U 338-E) for Authorization: (1) to Replace San Onofre Nuclear Generating Station Unit Nos. 2 & 3 (SONGS 2 & 3) Steam Generators; (2) Establish Ratemaking for Cost Recovery; and (3) Address Other Related Steam Generator Replacement Issues.

Application 04-02-026  
(Filed February 27, 2004)

Carol A. Schmid-Frazee, John W. Spiegel, Charles D. Siegal, and Martin D. Bern, Attorneys at Law, for Southern California Edison Company, applicant.

Paul Angelopulo, Attorney at Law, and Mark R. Loy, for the Office of Ratepayer Advocates; Matthew Freedman, Attorney at Law, for The Utility Reform Network; James Weil, for the Aglet Consumer Alliance; Alcantar & Kahl, LLP, by Michael Alcantar, Attorney at Law, for the Cogeneration Association of California; Ellison, Schneider & Harris, LLP, by Andrew B. Brown, Attorney at Law, for the Independent Energy Producers Association; Daniel W. Douglass, Attorney at Law, for the Western Power Trading Forum; Adams, Broadwell, Joseph & Cardozo, by Marc Joseph, Attorney at Law, for the Coalition of California Utility Employees; James F. Walsh, Attorney at Law, Amy Peters and Wendy Keilani, for San Diego Gas and Electric Company; Jennifer K. Post, Attorney at Law, for Pacific Gas and Electric Company; James Ross, for Chevron Texaco McKittrick Cogeneration Company; Alcantar & Kahl, LLP, by Nora Sheriff, Attorney at Law, for the Energy Producers and Users Coalition; Karen Tarranova, Attorney at Law, for THUMS Long Beach Company; Brian T. Cragg and Lucina Lea Moses, Attorneys at Law, for City of Anaheim; Ronald Liebert, Attorney at Law, for California Farm Bureau Federation; Sabrina Venskus, Attorney at Law, for California Earth Corps; interested parties.

the other owners agreed with SCE's actions regarding CE. This in turn supports the reasonableness of SCE's actions regarding CE. As a result, we find that SCE acted reasonably with regards to CE, including the 1987 settlement, the 1993 settlement, and the 1996 suit.

Notwithstanding the above, if we were to assume that SCE should have sued CE, we would have to assume that the result, if any, would have been a settlement, because the record does not indicate that any of the suits against CE were resolved other than by a settlement. Of the settlements, the record only indicates the results of two: Consumers Power and APS. The Consumers Power suit concerned damage as a result of the use of phosphate in the water treatment. This damage mechanism was not present at SONGS. The APS suit concerned a design defect in the steam generators that was unrelated to Alloy 600, and is not present at SONGS. Therefore, the results of these settlements provide no basis for determining the value of a settlement had one been reached. The results of all other settlements are confidential. As a result, there is no basis in the record for determining what the value of a settlement would have been if SCE had sued CE and reached a settlement. For all of the above reasons, we will not adopt TURN's recommendation.

#### **IX. Reasonableness Review—SGRP**

In this application, SCE is requesting that the Commission pre-approve the SGRP. SCE intends this to mean that, if granted, the Commission would not be able to disallow construction costs or their recovery in rates on the grounds that SCE's decision to implement the SGRP was unreasonable. SCE represents that it will submit the incurred costs for a reasonableness review, and that the Commission would not be relinquishing its authority to review the reasonableness of recorded costs and construction practices. Specifically, SCE

proposes to file an application to establish the reasonableness of the SGRP construction costs, excluding the costs of removal and disposal of the original steam generators, six months after SONGS returns to commercial operations. In addition, SCE proposes to file an application to establish the reasonableness of the costs of removal and disposal of the original steam generators six months after the last removal and disposal costs are incurred.

TURN states that it would be willing to participate in a reasonableness review when the SGRP is complete. However, it would prefer that the Commission adopt up-front and transparent standards for the review.

Aglet states that SCE should not be allowed to recover any SGRP costs in rates without a reasonableness review.

ORA supports a mandatory reasonableness review of SGRP costs.

The effect of SCE's request for pre-approval of the SGRP is that the Commission would not be able to disallow construction costs or their recovery in rates on the grounds that SCE's decision to implement the SGRP was unreasonable. Instead of pre-approval, we accept SCE's SGRP estimate of \$680 million as a reasonable estimate of the SGRP cost. If the SGRP cost exceeds \$680 million, or the Commission later finds that it has reason to believe the costs may be unreasonable regardless of the amount, the entire SGRP cost shall be subject to a reasonableness review.

Nonetheless, we accept that there is uncertainty in cost estimates and that it is appropriate to consider costs in excess of the estimated reasonable total of \$680 million. As in Decision 05-11-026, we include an additional \$102 million to the estimate to reach a maximum cost of \$782 million. SCE will not be allowed to recover SGRP costs in excess of this amount.

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## **FORM 10-K**

**SOUTHERN CALIFORNIA EDISON CO - SCE.PR.E**

**Filed: February 28, 2011 (period: December 31, 2010)**

Annual report with a comprehensive overview of the company

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-K**

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(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2010**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from** \_\_\_\_\_ **to** \_\_\_\_\_

**Commission File Number 1-2313**

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**SOUTHERN CALIFORNIA EDISON COMPANY**

(Exact name of registrant as specified in its charter)

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California  
(State or other jurisdiction of  
incorporation or organization)

95-1240335  
(I.R.S. Employer  
Identification No.)

2244 Walnut Grove Avenue  
(P.O. Box 800)  
Rosemead, California  
(Address of principal executive offices)

91770  
(Zip Code)

**(626) 302-1212**

(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Cumulative Preferred Stock	American

4.08%Series 4.32%Series

## Table of Contents

- \$55 million increase related to capital-related revenue requirements recovered through CPUC-authorized mechanisms outside of the GRC process primarily related to the steam generator replacement project and the EdisonSmartConnect™ project.
  - Higher operation and maintenance expense of \$160 million primarily due to the following:
    - \$75 million of higher expenses to support company growth programs, including new information technology system requirements and facility maintenance.
    - \$45 million of higher transmission and distribution expenses to support system reliability and infrastructure replacement, right of way costs; preventive maintenance work, technical training and line clearing.
    - \$15 million of higher generation expenses primarily from a \$25 million increase from the San Onofre Unit 2 and 3 scheduled outages, including \$10 million of additional work identified during the Unit 2 scheduled outage, and a \$10 million increase primarily due to overhaul and outage costs at Four Corners. These increases were partially offset by a \$20 million decrease resulting from 2009 scheduled outages at the Mountainview power plant.
- SCE completed the replacement of the steam generators at San Onofre Unit 2 and Unit 3 in April 2010 and February 2011, respectively. During the San Onofre Unit 2 scheduled outage, SCE identified and completed additional work unrelated to the steam generator replacement that resulted in increased operation and maintenance expense and extended the outage beyond SCE's initial estimated timeframe. The San Onofre Unit 3 outage was briefly extended beyond SCE's initial estimated timeframe.

The CPUC previously adopted a mechanism establishing thresholds for review and recovery of SCE's incurred capital costs for the steam generator replacements. Based on preliminary cost information, SCE does not expect a reasonableness review will be required. SCE will file an application with the CPUC setting forth its final costs and compliance with the adopted mechanism.
- \$15 million of higher expense related to general liability and property insurance due to higher premiums for wildfire coverage.
  - Higher depreciation expense of \$89 million primarily related to increased capital expenditures, including capitalized software costs.
  - Higher net interest expense and other of \$32 million primarily due to:
    - Lower other income of \$19 million primarily related to a decrease in AFUDC – equity earnings due to the transfer of the Mountainview power plant to utility rate base in the third quarter of 2009 partially offset by an increase in AFUDC – equity resulting from a higher capitalization rate and level of construction in progress associated with SCE's capital expenditure plan.
    - Higher interest expense of \$7 million primarily due to higher outstanding balances on long-term debt.

See "—Income Taxes" below for discussion of higher income taxes during 2010 compared to the same period in 2009.

2009 vs. 2008

Utility earning activities were primarily affected by:

- Higher operating revenue of \$447 million primarily due to the following:
  - \$485 million increase resulting from the implementation of SCE's 2009 CPUC GRC decision which authorized an increase of \$512 million (\$27 million of which is reflected in utility cost-recovery activities) from SCE's 2008 revenue requirement effective January 1, 2009.

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

## **FORM 10-K**

**SOUTHERN CALIFORNIA EDISON CO - SCE.PR.E**

**Filed: February 29, 2012 (period: December 31, 2011)**

Annual report with a comprehensive overview of the company

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-K**

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(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2011
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-2313

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**SOUTHERN CALIFORNIA EDISON COMPANY**

(Exact name of registrant as specified in its charter)

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California  
(State or other jurisdiction of  
incorporation or organization)

2244 Walnut Grove Avenue  
(P.O. Box 800)  
Rosemead, California  
(Address of principal executive offices)

95-1240335  
(I.R.S. Employer  
Identification No.)

91770  
(Zip Code)

(626) 302-1212

(Registrant's telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Cumulative Preferred Stock	NYSE Amex
4.08%Series 4.32%Series 4.24%Series 4.78%Series	

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-12 of the Exchange Act. (Check One):

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of February 27, 2012, there were 434,888,104 shares of Common Stock outstanding, all of which are held by the registrant's parent holding company. The aggregate market value of registrant's voting and non-voting common equity held by non-affiliates was zero.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the following documents listed below have been incorporated by reference into the parts of this report so indicated.

(1) Designated portions of the Proxy Statement relating to registrant's 2012 Annual Meeting of Shareholders Part III

SCE has provided information to the CPUC on the costs and technical issues involved. Should the CPUC order SCE to implement an opt out option, SCE would file an application seeking to recover the associated costs in rates.

## **Regulatory Proceedings**

### ***Energy Efficiency Shareholder Risk/Reward Incentive Mechanism***

The CPUC previously adopted and extended through 2009 an Energy Efficiency Risk/Reward Incentive Mechanism ("Energy Efficiency Mechanism") allowing SCE to earn incentives based on SCE's performance toward meeting CPUC energy efficiency goals. In December 2011, the CPUC issued a decision approving an \$18 million final payment for 2009 performance under the Energy Efficiency Mechanism. The CPUC is reviewing and may further modify or eliminate the Energy Efficiency Mechanism for performance periods subsequent to 2009.

### ***San Onofre Outage and Repair Issues***

Four replacement steam generators were installed at San Onofre Units 2 and 3 in 2010 and 2011. Inspections of the Unit 2 steam generators during a planned maintenance and refueling outage in February 2012 found some isolated areas of wear in some of the 19,454 heat transfer tubes. In light of this condition, SCE, in consultation with the steam generators' manufacturer, determined that a number of the tubes should be removed from service as a preventive measure. The steam generators are designed to include sufficient tubes to accommodate a need to remove some from service for a variety of reasons, including wear, and the tubes that SCE is in the process of preventively removing from service in Unit 2 are well within the extra margin. Additionally, on January 31, 2012, a water leak was detected in one of the tubes of a new steam generator in Unit 3, and the Unit was safely taken offline. Extensive testing of the Unit 3 steam generators is ongoing to fully understand the cause of the leak. In a memorandum dated February 16, 2012, the NRC determined that inasmuch as the leak was in a newly installed steam generator, it will conduct an event follow-up baseline inspection to review San Onofre's response to the leak and verify the appropriateness of its remedial actions. Each Unit will be restarted when repairs on that Unit are completed, and SCE is satisfied that it is safe to do so.

The steam generators were supplied by Mitsubishi Heavy Industries ("MHI") and are warranted for an initial period of 20 years from acceptance. Subject to certain exceptions, the purchase agreement sets forth specified damages for certain repairs, generally limits MHI's aggregate contractual liability to the approximately \$137 million purchase price of the generators and excludes consequential damages from recovery, such as the cost of replacement power. In 2005, the CPUC authorized expenditures of approximately \$525 million (\$665 million when adjusted for inflation) for SCE's 78.21% share of San Onofre to purchase and install new generators and remove their predecessors. Those expenditures remain subject to CPUC review upon submission of SCE's final costs for the overall project. SCE expects to file an application with the CPUC setting forth final project costs in the third or fourth quarter of 2012. Replacement power costs are recovered through the ERRA balancing account, subject to reasonableness review.

## **Dividend Restrictions**

The CPUC regulates SCE's capital structure which limits the dividends it may pay Edison International. In SCE's most recent cost of capital proceeding, the CPUC set an authorized capital structure for SCE which included a common equity component of 48%. SCE may make distributions to Edison International as long as the common equity component of SCE's capital structure remains at or above the 48% authorized level on a 13-month weighted average basis. At December 31, 2011, SCE's 13-month weighted-average common equity component of total capitalization was 50.4% resulting in the capacity to pay \$436 million in additional dividends.

During 2011, SCE made \$461 million in dividend payments to its parent, Edison International. Future dividend amounts and timing of distributions are dependent upon several factors including the level of capital expenditures, operating cash flows and earnings.

## **Margin and Collateral Deposits**

Certain derivative instruments, power procurement contracts and other contractual arrangements contain collateral requirements. Future collateral requirements may differ from the requirements at December 31, 2011, due to the addition of incremental power and energy procurement contracts with collateral requirements, if any, and the impact of changes in wholesale power and natural gas prices on SCE's contractual obligations.

Some of the power procurement contracts contain provisions that require SCE to maintain an investment grade credit rating from the major credit rating agencies. If SCE's credit rating were to fall below investment grade, SCE may be required to pay the liability or post additional collateral.

**TABLE 1**  
Southern California Edison Company  
2012 Consolidated Revenue Requirement By Proceeding  
Total System  
(\$000)

Revenue Requirement Component	Column 2	Column 3	Column 4	Column 5
	Revenue Rqmts June 1, 2011 Rate Levels	Est. Revenue Rqmts January 1, 2012 Rate Levels	Change In Revenue Requirements	Authority For Change
<b>1. ERRA FORECAST PROCEEDING</b>				
2. Fuel and Purchased Power	3,707,993	3,707,993	0	A.10-08-001/D.11-04-006
3. ERRA Balancing Account	(335,877)	(335,877)	0	
4. Energy Settlement Refunds	(42,664)	(42,664)	0	
5. Subtotal ERRA Balancing Account	(378,541)	(378,541)	0	
6. New Sys Gen Balancing Account	14,725	14,725	0	
7. BRRBA	(217,936)	(217,936)	0	
8. Spent Nuclear Fuel	6,190	6,190	0	
9. NDAM Balancing Account	(22,369)	(22,369)	0	
10. CARE Balancing Account	55,853	55,853	0	
11. PPPAM Balancing Account	108,456	108,456	0	
12. TOTAL	<b>3,274,371</b>	<b>3,274,371</b>	<b>0</b>	
<b>13. GRC PROCEEDING</b>				
14. 2009 GRC (2011 Attrition)				
15. Generation O&M and Capital (No Refuel)	1,568,082	1,568,082	0	
16. SONGS 2&3 Refueling	0	102,606	102,606	D.09-03-025/AL 2519-E-A
17. Distribution O&M and Capital	3,634,235	3,634,235	0	
18. Subtotal	5,202,317	5,304,923	102,606	
19. Pension/PBOP Balancing Account	11,353	11,353	0	
20. Medical Balancing Account	(9,204)	(9,204)	0	
21. Palo Verde O&M Balancing Account	(30,998)	(30,998)	0	
22. Non-utility Affiliate Credits	(11,261)	(11,261)	0	
23. TOTAL	<b>5,162,206</b>	<b>5,264,813</b>	<b>102,606</b>	
<b>24. Other</b>				
25. HECA Memorandum Account	0	0	0	
26. ERRA Review (A.09-04-002)	29,864	29,864	0	
27. SONGS 2&3 Steam Generator Replacement	60,802	115,239	54,438	D.05-12-040/AL 2402-E/AL 2521-E/AL 2529-E
28. Self Generation	28,324	28,324	0	D.11-12-030
29. CA Solar Initiatives	111,275	111,275	0	D.11-12-019
30. Solar PV Program	27,839	27,839	0	
31. Low Income Energy Efficiency Proceeding	69,697	69,697	0	
32. CEMA (Bark Beetle)	16,682	16,682	0	
33. Demand Response	71,987	98,896	26,908	D.11-11-002
34. Edison SmartConnect	205,832	187,830	(18,002)	D.08-09-039/AL 2277-E
35. PGC Renewables and RD&D	59,165	0	(59,165)	D.11-12-035
36. Electric Program Investment Charge (EPIC)	0	59,165	59,165	
37. PGC - Energy Efficiency	101,579	0	(101,579)	D.11-12-038
38. Procurement Energy Efficiency	300,697	402,275	101,579	
39. Energy Efficiency Incentive	24,371	18,310	(6,061)	D.11-12-036
40. Nuclear Decommissioning Trust Fund	23,846	23,846	0	
41. FERC 2010 GRC Refund	(67,486)	(67,486)	0	
42. FERC Proceedings (Transmission)	586,091	631,185	45,094	ER12-201-000/ER12-236-000
43. TOTAL	<b>1,650,565</b>	<b>1,752,941</b>	<b>102,376</b>	
<b>44. DWR</b>				
45. Power Charge	617,540	(441,000)	(1,058,540)	D.11-12-005/AL 2674-E
46. Bond Charge	396,032	396,032	0	
47. TOTAL	<b>1,013,571</b>	<b>(44,968)</b>	<b>(1,058,540)</b>	
<b>48. Effect of SCE Now Supplying 100% of Bundled Serv.</b>	<b>0</b>	<b>970,690</b>	<b>970,690</b>	
<b>49. TOTAL REVENUE REQUIREMENT CHANGE</b>	<b>11,100,714</b>	<b>11,217,848</b>	<b>117,133</b>	

**TABLE 1**  
Southern California Edison Company  
2013 Consolidated Revenue Requirement By Proceeding  
Total System  
(\$'000)

Column 1	Column 2	Column 3	Column 4	Column 5
Revenue Requirement Component	Revenue Rqmts October 1, 2012 Rate Levels	Est. Revenue Rqmts January 1, 2013 Rate Levels	Change In Revenue Requirements	Authority For Change
<b>1. ERRA FORECAST PROCEEDING</b>				
2. Fuel and Purchased Power	4,084,426	4,084,426	0	D.12-07-007/AL 2760-E
3. ERRA Balancing Account	(384,303)	(384,303)	0	
4. Energy Settlement Refunds	(48,289)	(48,289)	0	
5. Subtotal ERRA Balancing Account	<u>(432,592)</u>	<u>(432,592)</u>	0	
6. New System Generation Balancing Account	21,095	21,095	0	
7. BRRBA	108,939	108,939	0	
8. Spent Nuclear Fuel	6,518	6,518	0	
9. NDAM Balancing Account	(17,631)	(17,631)	0	
10. CARE Balancing Account	54,922	54,922	0	
11. PPPAM Balancing Account	54,740	54,740	0	
12. TOTAL	<b>3,880,417</b>	<b>3,880,417</b>	<b>0</b>	
<b>13. GRC PROCEEDING</b>				
14. 2012 GRC (2013 Post Test Year)				
15. Generation O&M and Capital (No Refuel)	1,498,848	1,827,338	328,490	D.12-11-051/AL 2826-E
16. Peaker O&M and Capital (New System Gen)	69,234	61,622	(7,612)	
17. SONGS 2&3 Refueling	102,606	0	(102,606)	
18. Distribution O&M and Capital	3,634,235	4,132,638	498,403	
19. Subtotal	<u>5,304,923</u>	<u>6,021,598</u>	716,675	
20. 2012 GRC Memo Account	0	389,489	389,489	
21. FF&U On Non-GRC Rev Rqmts	0	(1,644)	(1,644)	
22. Solar PV Program	27,839	0	(27,839)	
23. Edison SmartConnect	187,830	0	(187,830)	
24. Pension/PBOP Balancing Accounts	11,353	4,332	(7,021)	
25. Medical Balancing Account	(9,204)	5,806	15,010	
26. Palo Verde O&M Balancing Account	(30,998)	(41,290)	(10,292)	
27. Non-utility Affiliate Credits	(11,261)	(11,257)	4	
28. TOTAL	<b>5,480,481</b>	<b>6,367,034</b>	<b>886,553</b>	
<b>29. Other</b>				
30. Cost of Capital (Impact on GRC Rev Req)	0	(211,828)	(211,828)	D.12-12-034/AL 2832-E
31. SONGS 2&3 Steam Gen Replacement	115,239	130,766	15,527	D.05-12-040/AL 2521-E/AL 2648-E-A
32. Self Generation	28,324	28,324	0	
33. CA Solar Initiative	111,275	74,858	(36,417)	D.11-12-019/AL 2677-E
34. Energy Savings Assistance Program (ESAP)	69,697	85,880	16,182	D.12-08-044/AL 2821-E
35. Demand Response	98,896	78,087	(20,809)	D.12-04-045/ D.12-11-015/AL 2739-E-A
36. Electric Program Investment Charge (EPIC)	59,165	67,354	8,189	D.11-12-035/D.12-05-037/AL 2747-E
37. Energy Efficiency (PGC and Procurement)	402,275	345,497	(56,778)	D.12-11-015
38. Energy Efficiency Incentive	18,284	0	(18,284)	D.11-12-036
39. Nuclear Decommissioning Trust Fund	23,846	22,990	(856)	D.10-07-047/AL 2736-E
40. CEMA Bark Beetle	0	11,889	11,889	D.12-11-041
41. FERC 2011 CWIP Refund	(5,358)	0	5,358	FERC Docket No. ER08-375/AL 2647-E
42. FERC Proceedings (Transmission)	811,145	828,783	17,638	
43. TOTAL	<b>1,732,789</b>	<b>1,462,600</b>	<b>(270,189)</b>	
<b>44. DWR</b>				
45. Power Charge	(340,472)	(70,000)	270,472	Due to kWh sales forecast adopted in D.12-11-040
46. Bond Charge	390,154	374,944	(15,210)	
47. TOTAL	<b>49,682</b>	<b>304,944</b>	<b>255,262</b>	
<b>48. TOTAL REVENUE REQUIREMENT CHANGE</b>	<b>11,143,370</b>	<b>12,014,995</b>	<b>871,626</b>	

**Table III-1**  
**SONGS 2&3 Revenue Requirement**  
**(\$millions)**

	Col. A	Col. B	Col. C	Col. D
	Authorized In 2012	Less: Already Subject To Refund	Less: Other Required Costs	Incremental Subject To Refund
1. 2012 GRC Decision (D.12-11-051)				
2. O&M	303	-	(100)	203
3. Refueling O&M	-	-	-	-
4. Direct A&G/Other	37	-	(30)	7
5. Payroll Taxes	6	-	-	6
6. Depreciation	66	-	(6)	60
7. Taxes	34	-	(8)	26
8. Return on Rate Base	52	-	(9)	43
9. Subtotal	498	-	(153)	345
10. Steam Generator Replacement Project (D.05-12-040)				
11. Depreciation	48	(48)	-	-
12. Taxes	25	(25)	-	-
13. Return on Rate Base	42	(42)	-	-
14. Subtotal	115	(115)	-	-
15. 2012 ERRA Forecast (D.12-07-007)				
16. Fuel Expense	97	(97)	-	-
17. Fuel Carrying Costs	6	(6)	-	-
18. Subtotal	103	(103)	-	-
19. Seismic Projects/Studies	-	-	-	-
20. Nuclear Decommissioning Triennial Proceeding (D.10-07-047)	23	-	(23)	-
21. TOTAL SONGS 2&3 Revenue Requirement	739	(218)	(176)	345

2 Column A on Table III-1 shows the total SONGS 2&3 annual revenue requirement (\$739  
3 million) calculated in accordance with D.12-11-051 (i.e. SCE's 2012 GRC Decision), the SONGS 2&3  
4 Steam Generator Replacement Project (SGRP) proceeding, the 2012 Energy Resource and Recovery  
5 Account (ERRA) Forecast proceeding, and the Nuclear Decommissioning Cost Triennial Proceeding  
6 (NDCTP). As explained in this testimony, a portion of 2012 SONGS 2&3 GRC revenue requirement  
7 and all amounts for SGRP, ERRA, and NDCTP should be excluded from the subject-to-refund  
8 condition.

9 **A. 2012 GRC Revenue Requirement**

10 The Commission's decision in SCE's 2012 GRC set the 2012 annual revenue requirement  
11 associated with SONGS 2&3 at approximately \$498 million (excluding SGRP, ERRA and NDCTP),

## Michael Aguirre

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**From:** Walker.Matthews@sce.com  
**Sent:** Tuesday, February 05, 2013 3:07 PM  
**To:** Michael Aguirre; mseverson@amslawyers.com  
**Cc:** Henry.Weissmann@sce.com; Russell.Archer@sce.com; Walker.Matthews@sce.com; Russell.Worden@sce.com  
**Subject:** Fw: Question About Scope of Application For Reasonableness Review

Dear Mr. Aguirre:

No, SCE has not yet filed the application referenced in your email below. SCE anticipates filing the application in or about March 2013.

In the future, please direct inquiries to SCE's counsel in this matter (Henry Weissmann, Walker Matthews, and Russell Archer), rather than to SCE's Case Administration group, so that we can timely address any questions that you may have.

Sincerely,

Walker Matthews

Walker A. Matthews, III  
Senior Attorney  
Southern California Edison Company  
2244 Walnut Grove Ave.  
Rosemead, CA 91770  
(626)302-6879

----- Forwarded by Walker Matthews/SCE/EIX on 02/05/2013 03:01 PM -----

From: Case Admin/SCE/EIX  
To: CA-SONGS OII Group List  
Date: 02/05/2013 02:49 PM  
Subject: Fw: Question About Scope of Application For Reasonableness Review  
Sent by: David Balandran



**FOR INTERNAL USE ONLY**

Internal Distribution to CA-SONGS OII Group List:

----- Forwarded by David Balandran/SCE/EIX on 02/05/2013 02:48 PM -----

From: "Michael Aguirre" <[maquirre@amslawyers.com](mailto:maquirre@amslawyers.com)>  
To: <[Case.Admin@sce.com](mailto:Case.Admin@sce.com)>  
Cc: <[mseverson@amslawyers.com](mailto:mseverson@amslawyers.com)>, "Donna Gilmore" <[dgilmore@cox.net](mailto:dgilmore@cox.net)>, "Martha Sullivan" <[marthasullivan@mac.com](mailto:marthasullivan@mac.com)>  
Date: 02/05/2013 01:54 PM  
Subject: Question About Scope of Application For Reasonableness Review

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Greetings: Did SCE file an application after completion of the SGRP for inclusion of the costs thereof permanently in rates, as provided in pertinent part in Decision 05-12-040 (15 December 2005) quoted here:

. After completion of the SGRP, SCE will be required to file an application for inclusion of the costs thereof permanently in rates, regardless of whether the costs exceed \$680 million. If a reasonableness review is performed, it will be done in connection with the application. In the event the removal and disposal of the original steam generators is delayed significantly beyond the commercial operation dates of both units, it may be addressed in a subsequent application.

If so would you please refer us to where and when such an application was filed by SCE. Thank You, Mike Aguirre

-----Original Message-----

From: [Case.Admin@sce.com](mailto:Case.Admin@sce.com) [<mailto:Case.Admin@sce.com>]

Sent: Thursday, January 31, 2013 4:08 PM

To: [maguirre@amslawyers.com](mailto:maguirre@amslawyers.com)

Subject: A.13-01-XXX SONGSMA - Southern California Edison Company's (U 338-E) Application For A Reasonableness Determination Of 2012 Costs Recorded In The San Onofre Nuclear Generating Station Memorandum Account (SONGSMA) and Supporting Testimony

Importance: High

To all parties on the e-mail service list for A.10-11-015, & I.12-10-013:

Attached below in PDF searchable format please find "Southern California Edison Company's (U 338-E) Application For A Reasonableness Determination Of 2012 Costs Recorded In The San Onofre Nuclear Generating Station Memorandum Account (SONGSMA)".

This document was electronically filed with the San Francisco's California Public Utilities Commission's Docket Office today, January 31, 2013.

(See attached file: A.13-01-XXX SONGSMA - SCE Application For Review of 2012 SONGSMA.pdf) (See attached file: A.13-01-XXX - CERTIFICATE OF SERVICE.pdf)

Supporting Testimony(serviced):

(See attached file: A.13-01-XXX SONGSMA - SCE Testimony In Support of Application for Review of the 2012 SONGSMA.pdf)(See attached file: A.13-01-XXX SONGSMA - SCE Appendix 3 O and M for Unit 2 Cycle 17-Refueling Outage.pdf)(See attached file: A.13-01-XXX SONGSMA - SCE Appendix 4 Incremental O and M for Steam Generator Inspection and Repair Activities.pdf)(See attached file: A.13-01-XXX - COS on Testimony.pdf)

Best Regards.

Case Administration  
Southern California Edison Company

Telephone (626) 302-6015

Fax (626) 302-3119

[Case.Admin@SCE.com](mailto:Case.Admin@SCE.com)

# Congress of the United States

Washington, DC 20515

February 6, 2013

The Honorable Allison M. Macfarlane  
Chairman  
Nuclear Regulatory Commission  
11555 Rockville Pike  
Rockville, MD 20852

Dear Chairman Macfarlane:

We have become aware of new information contained in a 2012 Mitsubishi Heavy Industries (MHI) document entitled "Root Cause Analysis Report for tube wear identified in the Unit 2 and Unit 3 Steam Generators of San Onofre Generating Station" (Report).

We strongly urge the Nuclear Regulatory Commission (NRC) to promptly initiate an investigation concerning the troubling information contained in this Report.

The Report indicates that Southern California Edison (SCE) and MHI were aware of serious problems with the design of San Onofre nuclear power plant's replacement steam generators before they were installed. Further, the Report asserts that SCE and MHI rejected enhanced safety modifications and avoided triggering a more rigorous license amendment and safety review process.

For example, the Report states that although SCE and MHI accepted some adjustments to the replacement steam generators, further safety modifications were found to have "unacceptable consequences" and were rejected: "Among the difficulties associated with the potential changes was the possibility that making them could impede the ability to justify the RSG [replacement steam generator] design" without the requirement for a license amendment. The Report also indicates that SCE's and MHI's decision to reject additional safety modifications contributed to the faulty steam generators and the shutdown of reactor Units 2 and 3.

This newly-obtained information concerns us greatly, and we urge the NRC to immediately conduct a thorough investigation into whether SCE and MHI did in fact fail to make needed safety enhancements to avoid the license amendment process.

All people in our nation, including the 8.7 million people who live within 50 miles of the San Onofre plant, must have confidence in the NRC's commitment to put safety before any other concern.


We believe this alarming Report raises serious concerns about SCE's and MHI's past actions. Safety, not regulatory short cuts, must be the driving factor in the design of nuclear facilities, as well as NRC's determination on whether Units 2 and 3 can be restarted.

We look forward to your prompt response detailing how public safety will be assured in light of this information. If you have any questions, please have your staff contact Dr. Michal Freedhoff of Rep. Markey's staff at 202-225-2836 or Grant Cope of Chairman Boxer's staff at 202-224-8832.

Sincerely,



Barbara Boxer  
Chairman  
Senate Committee on Environment and Public Works



Edward J. Markey  
Member of Congress