

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Alliance for Nuclear Responsibility, Complainant)
)
vs.)
)
Southern California Edison Company (U238E), Defendant)
)
_____)

CASE _____

COMPLAINT

JOHN L. GEESMAN

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Date: February 13, 2012

Attorney for
ALLIANCE FOR NUCLEAR RESPONSIBILITY

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Alliance for Nuclear Responsibility, Complainant)
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vs.)
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Southern California Edison Company (U238E), Defendant)
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CASE _____

COMPLAINT

I. Introduction.

Pursuant to Cal. Pub. Util. Code § 2101 and Rule 4.1 of the California Public Utilities Commission (“Commission” or “CPUC”) Rules of Practice and Procedure, the Alliance for Nuclear Responsibility (“A4NR”) hereby files its complaint against Southern California Edison Company (“SCE”):

- alleging multiple violations of California and federal securities laws by intentionally, recklessly, or negligently misrepresenting, by as much as \$100 million, the amount of CPUC-authorized inflation adjustment for the San Onofre Steam Generator Replacement Project (“SGRP”) in written filings with the United States Securities and Exchange Commission (“SEC”) and a conference call briefing to investment analysts by Theodore F. Craver, Jr., chairman, president, and chief executive officer of Defendant SCE’s holding company, Edison International (“EIX”);

- alleging multiple violations of California and federal false claims statutes by Defendant SCE knowingly including such unauthorized inflation adjustments for the San Onofre SGRP in utility bills sent to Defendant SCE's public sector customers, and certain of their contractors and grantees;
- alleging multiple violations of California's "Unfair Competition Law" by Defendant SCE's unlawful, unfair, or fraudulent practices regarding the inflation adjustments for the San Onofre SGRP;
- asking the Commission to: 1) consolidate adjudication of this complaint with its investigation of the San Onofre SGRP in I.12-10-013; 2) request under Cal. Pub. Util. Code § 2101 the Attorney General to institute court actions for the recovery of damages and punishment of the violations of law alleged herein; and 3) issue an order to show cause why Defendant SCE, EIX, and the individuals making the misrepresentations alleged herein should not be found in contempt of the Commission under Cal. Pub. Util. Code § 2113.

II. Factual Allegations.

1. Complainant A4NR is a 501(c)(3) corporation which represents both residential and small business customers on nuclear energy issues before California and Federal regulatory agencies, the Legislature, and Congress. A regular participant in CPUC nuclear-related proceedings, it is eligible to file this complaint pursuant to Rule 4.1.(a)(1) of the Commission's Rules of Practice and Procedure. A4NR's business address is P.O. Box 1328, San Luis Obispo, CA 93406-1328. Its telephone number is (858) 337-2703.

2. Defendant SCE is a public utility electrical corporation subject to the jurisdiction of the Commission. Its mailing address is 2244 Walnut Grove Avenue, Rosemead, CA 91770. Its telephone number is (626) 302-3119.

3. Complainant A4NR is a party in I.12-10-013 and its Data Request #7 in that proceeding asked for copies of minutes of meetings of the San Onofre Board of Review where the subject of replacement steam generators was discussed. The San Onofre Board of Review is comprised of the several utility co-owners of the San Onofre Nuclear Generating Station.

4. In response to Complainant A4NR's Data Request #7 in I.12-10-013, Defendant SCE provided redacted minutes from the May 2, 2011 meeting, among others, of the San Onofre Board of Review. An unredacted portion of the May 2, 2011 minutes reported the following exchange between Defendant SCE's Senior Vice President and Chief Nuclear Officer Peter T. Dietrich and San Diego Gas & Electric Senior Vice President James P. Avery:

"Mr. Avery asked what the cost of the project was in today's dollars. Mr. Dietrich explained that if SCE used CPI as an escalation factor the project would be \$25M over the \$670M target, but if SCE used the Handy-Whitman index, the SGRP would be \$75M under the \$670M target. Mr. Dietrich said that SCE asked for more specificity from the CPUC on the escalation issue. Mr. Avery responded this was not his recollection, SCE was insistent on being vague during the original filing."

A copy of the redacted May 2, 2011 minutes provided by Defendant SCE in response to Complainant A4NR's Data Request #7 is attached to this complaint as Exhibit A.

5. Complainant A4NR is informed and believes that Mr. Dietrich's reference to "the \$670 million target" was to the SGRP's complete cost, and not merely to Defendant SCE's 78.21% ownership share.

6. A transcript of the July 31, 2012, EIX second quarter earnings conference call conducted with 11 investment analysts, quotes Mr. Craver as saying the following in his opening remarks:

*“Turning to the regulatory review at the state level, there are several mechanisms in place for the California Public Utilities Commission to provide oversight and review the reasonableness of expenditures related to the outage. First, the steam generator project cost remains subject to a CPUC reasonableness review once SCE submits final cost for the project. As of June 30, SCE has spent \$593 million on the project **compared to the inflation-adjusted authorized spend of \$665 million**, or SCE's 78% ownership share.”* (emphasis added)

This transcript is accessible at <http://seekingalpha.com/article/767301-edison-international-management-discusses-q2-2012-results-earnings-call-transcript>. Mr. Craver's prepared remarks are available on the investor relations page of the EIX web site.

7. Mr. Craver's quantification of a \$665 million “authorized” inflation-adjusted amount for SCE's ownership share of the SGRP was untrue. The CPUC's 2005 decision had not authorized an inflation-adjusted amount and had specifically deferred that determination. Nevertheless, EIX had made a similar misrepresentation in its 10-K filing with the SEC dated February 29, 2012 which stated:

*“**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.”* (emphasis added)

Exhibits 31.1 and 31.2 to the EIX 10-K, contained the respective certifications of Mr. Craver, as Chief Executive Officer, and W. James Scilacci, as Chief Financial Officer, that

“Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report”

Exhibit 32 to the EIX 10-K contained the joint certification of Mr. Craver and Mr. Scilacci required by 18 U.S.C. § 1350, as enacted by § 906 of the Sarbanes-Oxley Act of 2002. The EIX

10-K and its exhibits are available on the investor relations page of the EIX web site.

8. The SCE 10-K filing with the SEC dated February 29, 2012 contained the identical description of the authorized SGRP expenditures as the EIX 10-K of the same date, as well as certifications identical to those of Mr. Craver and Mr. Scilacci from SCE President Ronald L. Litzinger and SCE Chief Financial Officer Linda G. Sullivan. The SCE 10-K and its exhibits are available on the investor relations page of the EIX web site.

9. The 10-Q reports EIX and SCE filed separately with the SEC dated May 2, 2012; July 31, 2012; and November 1, 2012 each described the \$665 million “authorized” inflation-adjusted amount for SCE’s ownership share of the SGRP in the same way:

“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 the four new steam generators in Units 2 and 3 and remove and dispose of their predecessors.” (emphasis added)

The requisite certifications for each EIX filing were made by Mr. Craver and Mr. Scilacci, and for each SCE filing by Mr. Litzinger and Ms. Sullivan. Each of the 10-K reports and its exhibits are available on the investor relations page of the EIX web site.

10. The broad authority conferred upon the Commission by Cal. Pub. Util. Code § 816, *et seq.* to exercise the power of supervision, regulation, restriction, and control of the issuance of securities by public utilities requires faithful adherence to California and federal securities laws in order to enable such utilities continued access to the capital markets. The Commission has a particularly strong interest in assuring Defendant SCE’s compliance.

11. Contrary to Mr. Craver’s statement in the July 31, 2012 quarterly earnings call, and contrary to the similar representations by EIX and SCE in eight separate 10-K or 10-Q filings with

the SEC, the CPUC actually went to considerable length in its 2005 decision approving the SGRP, D.05-12-040, to emphasize that it was not authorizing a particular adjustment for inflation at that time. As discussed in D.05-12-040's Ordering Paragraphs:

"13. The selection of the appropriate inflation adjustment to convert the 2004 dollars adopted herein to nominal dollars will be addressed in SCE's application to include SGRP costs permanently in rates."

"15. The selection of the appropriate inflation adjustment to convert future O&M costs and capital additions as shown in Attachment A from 2004 dollars to the appropriate future year dollars shall be determined in the proceedings specified in Ordering Paragraph 12."¹

Although superficially of two minds about the type of Commission proceeding in which the appropriate inflation adjustment should eventually be selected, the Conclusions of Law in D.05-12-040 established that such selection had not yet been made:

"46. The selection of the appropriate inflation adjustment applicable to recorded SGRP costs should be addressed in SCE's application to include SGRP costs permanently in rates."

"68. Since the inflation adjustment was not addressed in the record, the selection of the appropriate inflation adjustment applicable to the costs shown in Attachment A should be considered in proceedings such as GRCs where revenue requirements and rates are set."

The Findings of Fact in D.05-12-040 provided additional insight into the Commission's thinking. The only example cited in the entire decision of a specific index that might be used for future inflation adjustments was the Consumer Price Index – which, as described in Paragraph 4 above, by May 2, 2011 had produced an authorized cost \$100 million below the amount calculated by Defendant SCE using the Handy Whitman Index:

"146. In this decision, costs are expressed in 2004 dollars."

¹ Complainant A4NR believes this to be a typographical error, since Ordering Paragraph 12 discusses depreciation rather than proceedings, and believes the intended reference is to Ordering Paragraph 13.

“147. Actual costs will be expressed in nominal dollars when they are recorded.

“148. A meaningful comparison of recorded SGRP costs with the costs specified herein will require all costs to be converted to equivalent year dollars by an inflation adjustment.

“149. The inflation adjustment should be made based on reliable publications such as the Consumer Price Index published by the U.S. Bureau of Labor Statistics.

“150. The record is not sufficient to address how the inflation adjustment should be made.”

12. Defendant SCE filed its Advice Letter 2521-E with the Commission November 1, 2010 to recover \$56.694 million in 2011 for completion of the installation of the Unit 2 replacement steam generators. According to SCE Advice Letter 2521-E, the requested amount

“includes estimated depreciation, property taxes, income taxes, return on rate base, and Franchise Fees and Uncollectibles consistent with Preliminary Statement, Part Z.”

The reference to Preliminary Statement, Part Z related to the SONGS 2&3 Steam Generator Replacement Balancing Account approved earlier by the Commission’s Energy Division Director pursuant to SCE Advice Letter 2355-E. Neither SCE Advice Letter 2521-E, nor Preliminary Statement, Part Z, made any mention of an inflation adjustment. SCE Advice Letter 2521-E was approved by the Commission’s Energy Division Director December 7, 2010.

13. Defendant SCE filed its Advice Letter 2648-E-A with the Commission on December 27, 2011 to recover \$57.540 million in 2012 for completion of the installation of the Unit 3 replacement steam generators, as well as \$57.699 million in 2012 for the Unit 2 replacement steam generators. No explanation for the \$1.005 million increase from 2011 to 2012 in the Unit 2 amount was offered. According to SCE Advice Letter 2648-E-A,

“The total 2012 forecast SONGS 2&3 steam generators revenue requirement is estimated to be \$115.239 million and includes estimated depreciation, taxes, return on rate base, plus FF&U, consistent with Preliminary Statement, Part Z.”

The reference to Preliminary Statement, Part Z related to the SONGS 2&3 Steam Generator Replacement Balancing Account approved earlier by the Commission's Energy Division Director pursuant to SCE Advice Letter 2355-E. Neither SCE Advice Letter 2648-E-A, nor Preliminary Statement, Part Z, made any mention of an inflation adjustment. SCE Advice Letter 2648-E-A was approved by the Commission's Energy Division Director June 13, 2012.

14. Pursuant to the approval by the Commission's Energy Division Director of SCE Advice Letter 2521-E and SCE Advice Letter 2648-E-A, Defendant SCE included cumulative revenue requirements of \$171,933,000 in its rates and charges for 2011 and 2012 for its share of the SGRP costs recorded in Preliminary Statement, Part Z, without disclosing what inflation adjustment, if any, was used in determining these revenue requirements.

15. Defendant SCE filed its Advice Letter 2834-E on December 31, 2012 to recover \$ 112.843 million in 2013 for replacement of the Unit 2 and Unit 3 steam generators, but the request remains pending. SCE Advice Letter 2834-E makes no mention of whether an inflation adjustment was used to calculate the amount requested, which

"includes estimated depreciation, taxes, return on rate base, plus FF&U, consistent with D.05-12-040 and Preliminary Statement Part Z."

16. Defendant SCE knows that the Commission has not yet authorized a particular inflation adjustment for Defendant SCE's share of SGRP costs recorded in Preliminary Statement, Part Z.

17. Complainant A4NR is informed and believes that Defendant SCE used an inflation adjustment, most likely the Handy Whitman Index or a composite of different indexes, to calculate the portion of its share of SGRP costs to include in its 2011, 2012 and proposed 2013 rates and charges.

III. Causes of Action.

FIRST CAUSE OF ACTION

Violation of Cal. Corp. Code § 25400(d)

Incorporating by reference paragraphs 1 through 17 herein, Complainant A4NR alleges the following:

18. On multiple occasions, Defendant SCE intentionally, recklessly, or negligently made untrue statements of material facts regarding the Commission's authorization of a specific inflation adjustment for Defendant SCE's share of the cost of the SGRP. These occasions include but are not limited to:

- a) the February 29, 2012 filing of SCE's 10-K with the SEC;
- b) the February 29, 2012 filing of EIX's 10-K with the SEC;
- c) the May 2, 2012 filing of SCE's 10-Q with the SEC;
- d) the May 2, 2012 filing of EIX's 10-Q with the SEC;
- e) the July 31, 2012 filing of SCE's 10-Q with the SEC;
- f) the July 31, 2012 filing of EIX's 10-Q with the SEC;
- g) the July 31, 2012 conference call with investment analysts;
- h) the November 1, 2012 filing of SCE's 10-Q with the SEC;
- i) the November 1, 2012 filing of SCE's 10-Q with the SEC.

19. On multiple occasions, Defendant SCE intentionally, recklessly, or negligently omitted to state material facts, regarding the Commission's D.05-12-040 treatment of SGRP cost inflation adjustment, necessary to make the statements Defendant SCE did make, in light of the

circumstances under which they were made, not misleading. These occasions include but are not limited to:

- a) the February 29, 2012 filing of SCE's 10-K with the SEC;
- b) the February 29, 2012 filing of EIX's 10-K with the SEC;
- c) the May 2, 2012 filing of SCE's 10-Q with the SEC;
- d) the May 2, 2012 filing of EIX's 10-Q with the SEC;
- e) the July 31, 2012 filing of SCE's 10-Q with the SEC;
- f) the July 31, 2012 filing of EIX's 10-Q with the SEC;
- g) the July 31, 2012 conference call with investment analysts;
- h) the November 1, 2012 filing of SCE's 10-Q with the SEC;
- i) the November 1, 2012 filing of SCE's 10-Q with the SEC.

20. The certifications described in paragraphs 7 through 9 above were each knowingly or willfully made with regard to Commission authorization of a specific inflation adjustment for Defendant SCE's share of the cost of the SGRP

21. Defendant SCE's conduct violated Cal. Corp. Code § 25400(d).

SECOND CAUSE OF ACTION

Violation of 15 U.S.C. § 77q(a) and 15 U.S.C. § 78j(b)

Incorporating by reference paragraphs 1 through 21 herein, Complainant A4NR alleges the following:

22. Defendant SCE's conduct alleged in paragraphs 18 through 21 herein violated Section 17(a) of the federal Securities Act of 1933, codified as 15 U.S.C. § 77q(a), and Section 10(b) of

the federal Exchange Act of 1934, codified as 15 U.S.C. § 78j(b) and is subject to potential enforcement action by the SEC.

THIRD CAUSE OF ACTION

Violation of Cal. Gov. Code § 12650, *et seq.*

Incorporating by reference paragraphs 1 through 22 herein, Complainant A4NR alleges the following:

23. To the extent Defendant SCE's 2011 and 2012 rates and charges included any inflation adjustment for its share of SGRP costs recorded in Preliminary Statement, Part Z, such inflation adjustment was knowingly included by Defendant SCE.

24. To the extent that Defendant SCE's 2011 and 2012 rates and charges included any inflation adjustment for its share of SGRP costs recorded in Preliminary Statement, Part Z, and were submitted in Defendant SCE's billings to California state agencies or political subdivisions, they violated the California False Claims Act, Cal. Gov. Code § 12650, *et seq.* Defendant SCE knowingly made, used, or caused to be made or used, false records or statements to get false claims paid or approved by California state agencies or political subdivisions and knowingly made, used, or caused to be made or used, false records or statements material to false or fraudulent claims.

25. Defendant SCE is liable for a claim of treble damages to such California state agencies and political subdivisions, as well as for penalties and costs, in a specific amount to be determined at trial in court.

26. The information upon which this complaint is based is in the public domain, and A4NR is not seeking to be a qui tam plaintiff or relator under Cal. Gov. Code § 12650, *et seq.*

FOURTH CAUSE OF ACTION

Violation of 31 U.S.C. § 3279, *et seq.*

Incorporating by reference paragraphs 1 through 26 herein, Complainant A4NR alleges the following:

27. To the extent that Defendant SCE's 2011 and 2012 rates and charges included any inflation adjustment for its share of SGRP costs recorded in Preliminary Statement, Part Z, and were submitted in Defendant SCE's billings to an officer, employee, or agent of the United States federal government (the "Federal Government"); or submitted to a contractor or grantee of the Federal Government using funds provided by the Federal Government or reimbursable by the Federal Government to advance a Federal Government program or interest, and such funds were used to pay Defendant SCE's billings; Defendant SCE's billings violated the federal False Claims Act, 31 U.S.C. § 3279, *et seq.* Defendant SCE knowingly made, used, or caused to be made or used, false records or statements to get false claims paid or approved by the Federal Government or its contractors or grantees and knowingly made, used, or caused to be made or used, false records or statements material to false or fraudulent claims.

28. Defendant SCE is liable for a claim of treble damages to the Federal Government, and to certain of its contractors and grantees, as well as for penalties and costs, in a specific amount to be determined at trial in court.

29. The information upon which this complaint is based is in the public domain, and A4NR is not seeking to be a qui tam plaintiff or relator under 31 U.S.C. § 3279, *et seq.*

FIFTH CAUSE OF ACTION

Violation of Cal. Bus. & Prof. Code § 17200, *et seq.*

Incorporating by reference paragraphs 1 through 29 herein, Complainant A4NR alleges the following:

30. Defendant SCE has engaged in, and continues to engage in, unlawful, fraudulent, or unfair acts or practices in the conduct of a business, which acts or practices constitute unfair competition, as that term is defined in Cal. Bus. & Prof. Code § 17200. Such acts or practices include, but are not limited to, the following:

- a) violating Cal. Corp. Code § 25400(d) as described in the First Cause of Action above;
- b) violating 15 U.S.C. § 77q(a) and 15 U.S.C. § 78j(b) as described in the Second Cause of Action above;
- c) violating Cal. Gov. Code § 12650, *et seq.*, as described in the Third Cause of Action above; and
- d) violating 31 U.S.C. § 3279, *et seq.*, as described in the Fourth Cause of Action above.

31. Defendant SCE is liable for restitution, costs and civil penalties in a specific amount to be determined at trial in court.

IV. Prayer for Relief

WHEREFORE, Complainant A4NR respectfully asks the Commission to

(1) consolidate adjudication of this complaint, pursuant to Rule 7.4 of the Commission's Rules of Practice and Procedure, with its investigation of the San Onofre SGRP in I.12-10-013;

(2) request under Cal. Pub. Util. Code § 2101 the Attorney General's assistance to institute court actions for the recovery of damages and punishment of the violations of law alleged herein;

(3) issue an order to show cause why SCE, EIX, and the individuals making the misrepresentations alleged herein should not be found in contempt of the Commission under Cal. Pub. Util. Code § 2113; and

(4) provide such other relief as the Commission deems appropriate.

V. Contact Information.

All pleadings, correspondence, and other communications concerning this complaint should be directed to Complainant A4NR's attorney as follows:

John L. Geesman

DICKSON GEESMAN LLP
1999 Harrison Street, Suite 2000
Oakland, CA 94612
Telephone: (510) 899-4670
Facsimile: (510) 899-4671
E-Mail: john@dicksongeesman.com

VI. Scoping Information and Proposed Schedule.

Complainant A4NR requests that this matter be categorized as an adjudicatory proceeding and expects the need for any evidentiary hearing to be determined by the content of Defendant SCE's answer. If Defendant SCE proffers evidence that it did not include any inflation adjustment in calculating its billings, or that it had express Commission authorization for the inflation adjustment which it used, the need for hearing is conceivable and can be accommodated within the currently scheduled Phase 1 hearings in I.12-10-013. Otherwise, what is at issue are questions of law rather than questions of fact, and these can be resolved through briefing in Phase 1 of I.12-10-013, well within the 12 months allowed for adjudicatory proceedings by Rule 4.2(a) of the Commission's Rules of Practice and Procedure. The specific issues to be decided are whether Defendant SCE's conduct constituted violations of law, as alleged in the complaint's five causes of action, which merit the Commission requesting the Attorney General to initiate court proceedings and/or findings by the Commission of contempt regarding Defendant SCE, EIX, Mr. Craver, Mr. Scilacci, Mr. Litzinger, and Ms. Sullivan.

Respectfully submitted,

By: /s/ John L. Geesman

JOHN L. GEESMAN
DICKSON GEESMAN LLP

Date: February 13, 2013

Attorney for
ALLIANCE FOR NUCLEAR RESPONSIBILITY

VERIFICATION

I, John L. Geesman, declare under penalty of perjury:

I am an attorney licensed to practice before the courts of the State of California. I represent complainant, Alliance for Nuclear Responsibility (“A4NR”), in this matter before the California Public Utilities Commission. A4NR is absent from the county in which my office is located, and therefore I verify this document on their behalf.

I have read the foregoing Complaint and know the contents thereof, and declare the contents of the document are true to my own knowledge, except for those matters that are stated on information or belief, and as to those matters I believe them to be true.

Executed this 13th day of February, 2013, at Oakland, California.

/s/ John L. Geesman

JOHN L. GEESMAN

EXHIBIT A

Board of Review (BOR) Meeting

Date: May 2, 2011
Re: Meeting Minutes – BOR, held in San Onofre Nuclear Generating Station (SONGS) Mezzanine Conference Room

Attendees:

City of Anaheim: Russell Dowell

City of Riverside: Gary Nolff, Bob Tang

San Diego Gas & Electric (SDG&E): Jim Avery, Erik Daley, Mike De Marco, Tim Curtis, Paul Acosta, Matthew Vanderbilt

Southern California Edison (SCE): Pete Dietrich, Paul McGregor, Kim Murray, Lindsay Anderson, Jean Lewis, Joe Pennino, Jonathan Kim, Owen Thomsen, Rich St. Onge, Tim Clepper, Craig Harberts, Maria Charca, Maureen Coveney, Jill Corral, Ray Sutton, Jose Perez

Opening Statements:

[Redacted]

[Redacted]

[Redacted]

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2011-010 SCE will discuss steam generator output based upon Units 2 & 3 SGRPs and the resulting effect on SONGS Capability Factor. Ray Sutton will answer questions on capability factor vs. capacity factor at today's BOR meeting.

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SGRP Update
Craig Harberts
Manager, SGRP

Craig Harberts presented a status of the remaining work on the SGRP. The steam generator performance testing was completed on April 8, 2011, with steam generators meeting all warranty testing. The original steam generator (OSG) segmentation is in progress, with the first shipment planned for mid-June and the last shipment to begin in October. After the middle of November, shipping would no longer be feasible during 2011 due to winter weather concerns. SCE still needed the DOT permit which was scheduled to be approved by 4/22/11 and because of the events in Japan, the permit approval would be delayed until 5/13/11.

Mr. Dietrich stated that it is SONGS goal to close out the disposal phase of the project by year-end to stop costs from escalating. Mr. Nolf asked if there are liquidated damages for the subcontracting company responsible for segmenting the OSGs if they are behind schedule. Mr. Dietrich stated that he would look into this.

Mr. Harberts then reviewed the SGRP budget status through March 2011. Mr. Avery asked that if the total SGRP costs were under \$670M, would a reasonableness review be required. Mr. Harberts responded that a reasonableness review would not be required in that case. Mr. Avery asked what the cost of the project was in today's dollars. Mr. Dietrich explained that if SCE used CPI as an escalation factor the project would be \$25M over the \$670M target, but if SCE used the Handy-Whitman index, the SGRP would be \$75M under the \$670M target. Mr. Dietrich said that SCE asked for more specificity from the CPUC on the escalation issue. Mr. Avery responded that this was not his recollection, SCE was insistent on being vague during the original filing.

Mr. Harberts continued by answering a question posed in the Engineering & Operations Board (EOB) meeting where SCE was asked if the fixed price contract with Bechtel to replace the steam generators during the Unit 3 refueling outage was greater than the cost for the cost based contract with Bechtel to replace the steam generators during the Unit 2 refueling outage. It was determined that the fixed price contract resulted in higher costs, but there was also a 13 day improvement in schedule duration and there were also fewer injuries.

Action Items:

SCE will determine if the subcontracting company responsible for segmenting the OSGs is subject to penalties for schedule delays and provide this information to the co-owners. This concluded the meeting.

The meeting was adjourned at 1:00 p.m.

BOARD OF REVIEW MEETING MINUTES

May 2, 2011

AGREED TO:

P. Dietrich
Board of Review Member
Southern California Edison Company

Date

J. Avery
Board of Review Member
San Diego Gas & Electric Company

Date

G. Nolff
Board of Review Member
City of Riverside

Date

S. Sciortino
Board of Review Member
City of Anaheim

Date