



SOUTHERN CALIFORNIA
EDISON

An EDISON INTERNATIONAL Company

Harold B. Ray
Executive Vice President
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May 24, 2004

VIA FACSIMILE & U.S. MAIL

Mr. Thomas P. Evans
Public Utilities Director
Riverside Public Utilities Department
3900 Main Street
Riverside, CA 92522

Mr. James Avery
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Mr. Steve Sciortino
Integrated Resource Manager
City of Anaheim
201 S. Anaheim Blvd., Suite 802
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Re: May 13, 2004 SONGS 2 & 3 Board of Review Meeting

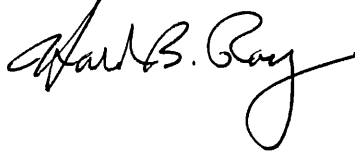
Gentlemen:

This letter confirms the status of the 2004 Capital and Operation and Maintenance (O&M) budgets. The 2004 Capital and O&M budgets presented at the May 13, 2004 BOR meeting were not approved. In response, I withdrew the 2004 budgets presented at the May 13, 2004 meeting. The O&M and Capital budgets presented at the January 23, 2004 BOR meeting, which do not contain SGRP costs, currently remain the proposed budgets.

However, I believe all co-owners stated at the May 13, 2004 BOR meeting that they had adequate opportunity to review and did not object to changes in non-SGRP costs reflected in the budgets presented on May 13. Therefore, we intend to treat such changes as amendments to the proposed budgets. Pursuant to Section 6.2.6 of the Second Amended San Onofre Operating Agreement, SCE intends to bill co-owners under the 2004 Capital and O&M budgets presented on January 23, 2004, as amended by the changes in non-SGRP costs reflected in the budgets presented on May 13, 2004. The amended proposed budgets are attached hereto.

SCE does not intend to bill its co-owners for any SGRP costs incurred in 2004, pending resolution of their participation in SGRP.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mark B. Ray". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

SBW:sbw:LW041400005.doc

cc: Mike Olson, SDG&E

Charles Byrom, City of Anaheim

Robert Delgado, City of Riverside

James Walsh, SDG&E

Lucina Moses, City of Anaheim

Eileen Teichert, City of Riverside

ATTACHMENT A

Proposed 2004 Operations and Maintenance Budget

May 21, 2004

2004 SONGS Proposed O&M Budget

(\$ Millions @ 100% Level)

	Common	Unit 1	Units 2/3	Total
O&M Base	75	5	159	239
U2C13 RFO	0	0	64	64
U3C13 RFO	0	0	71	71
Results Sharing	15	0	0	15
Subtotal	90	5	294	389
Overheads	35	3	80	118
Total	125	8	374	507

Major Assumptions:

O&M

- o U2C13 RFO starting February 2004, with \$64M in 2004 proposed budget
- o U3C13 RFO starting late September 2004, with \$71M in 2004 proposed budget
- o Results Sharing of \$15M in December.

Overheads

- o Rates are A&G of 35%, P&B of 24.06%, Payroll Tax of 8.36%, A&G on non-labor of 1%

2005 – 2006 SONGS

O&M Budget Estimates

(\$ Millions @ 100% Level Nominal)

<u>2005 Estimate:</u>	Common	Unit 1	Units 2/3	Total
O&M	92	0	232	324
Overheads	35	0	81	116
Total	127	0	313	440

<u>2006 Estimate:</u>	Common	Unit 1	Units 2/3	Total
O&M	94	0	239	333
Overheads	38	0	84	122
Total	132	0	323	455

Estimating Method:

- o 2005 Estimate:
 - o Includes U2C14 RFO at \$66.5M in 4th quarter
 - o Includes 3% escalation and Results Sharing in December
 - o Unit 1 Safstor ends in 2004
- o 2006 Estimate:
 - o Includes U3C14 RFO at \$66.5M in 2nd quarter
 - o Includes 3% escalation and Results Sharing in December

Proposed 2004 Capital Budget and Five Year Capital Forecast

May 21, 2004

SONGS 2 & 3 Capital Projects

Proposed 2004 Capital Budget

(\$ in Millions, 100% W.O. Level, with Overheads)

Base Capital	5.9
Capital Replacements	7.8
SIPC Capital Projects	64.8
DBT Security Upgrades	61.7
Marine Mitigation	4.6
Subtotal	144.8
 Contractual Overheads	
Labor A&G	3.2
Labor P&B	2.7
Payroll Taxes	1.0
Non-Labor A&G	1.3
TOTAL CAPITAL	153.0

SONGS 2 & 3 Capital Forecast

(Nominal \$ in Millions, 100% Level, without Overheads)

	2004	2005	2006	2007	2008
Base Work Orders	5.9	6.1	6.5	6.8	7.8
Outage Replacements	7.8	5.1	10.3	10.7	9.6
Site Incremental Project Committee Project					
U2/3 Spent Fuel Storage	16.8	10.8	7.9	19.6	18.8
RPV Head Replacement	0.0	0.0	2.0	9.9	21.6
Main Generator Rotor	2.5	5.0	4.0	7.6	8.0
Reliability	30.6	25.5	28.4	19.3	8.9
Betterment/Infrstr/Obsol	13.0	7.8	9.4	12.6	14.8
Additional Security Upgrades	1.9	5.0	0.0	0.0	0.0
SIPC Projects Subtotal	64.8	54.1	51.7	69.0	72.1
Capital Projects Subtotal	78.5	65.3	68.5	86.5	89.5
DBT Security Upgrades	61.7	0.0	0.0	0.0	0.0
Marine Mitigation	4.6	19.0	24.0	12.2	2.4
TOTAL CAPITAL PROJECT FORECAST	144.8	84.3	92.5	98.7	91.9

SONGS 2 & 3 Capital Forecast

Forecast Cash Flow by Project

(Nominal \$ in Millions, 100% Level, without Overheads)

	2004				2005			
	Capital	DBT	MM	Total	Capital	DBT	MM	Total
January	2.206	1.243	0.385	3.834	5.441	0.000	1.583	7.024
February	4.276	1.178	0.385	5.839	5.441	0.000	1.583	7.024
March	6.760	3.642	0.385	10.787	5.441	0.000	1.584	7.025
April	6.783	2.950	0.385	10.118	5.441	0.000	1.583	7.024
May	7.093	6.935	0.385	14.413	5.441	0.000	1.583	7.024
June	5.774	10.577	0.385	16.736	5.441	0.000	1.584	7.025
July	7.291	9.115	0.384	16.790	5.441	0.000	1.583	7.024
August	3.902	6.016	0.384	10.302	5.441	0.000	1.583	7.024
September	7.382	4.614	0.384	12.380	5.441	0.000	1.584	7.025
October	3.056	2.545	0.384	5.985	5.441	0.000	1.583	7.024
November	3.394	2.000	0.384	5.778	5.441	0.000	1.583	7.024
December	20.459	10.922	0.384	31.765	5.440	0.000	1.584	7.024
Total	78.376	61.737	4.614	144.727	65.291	0.000	19.000	84.291

SONGS 2 & 3 Capital Forecast

Forecast Cash Flow by Cost Component

(Nominal \$ in Millions, 100% Level, without Overheads)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2004													
SONGS Common (75.35%)													
Labor	0.033	(0.013)	0.069	0.034	0.103	0.095	0.093	0.052	0.094	0.064	0.070	0.045	0.739
Non-Labor	0.368	(0.141)	0.780	0.388	1.161	1.066	1.044	0.586	1.062	0.717	0.792	0.504	8.327
Total	0.401	(0.154)	0.849	0.422	1.264	1.161	1.137	0.638	1.156	0.781	0.862	0.549	9.066
SONGS Units 2&3													
Labor	0.248	0.457	0.779	0.759	1.040	1.238	1.244	0.756	0.883	0.393	0.369	2.513	10.680
Non-Labor	2.800	5.151	8.774	8.552	11.724	13.952	14.025	8.524	9.957	4.427	4.163	28.319	120.367
Total	3.048	5.608	9.553	9.311	12.764	15.190	15.269	9.280	10.840	4.820	4.532	30.832	131.047
Marine Mitigation													
Labor	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Non-Labor	0.385	0.385	0.385	0.385	0.385	0.385	0.384	0.384	0.384	0.384	0.384	0.384	4.614
Total	0.385	0.385	0.385	0.385	0.385	0.385	0.384	0.384	0.384	0.384	0.384	0.384	4.614
Total SONGS Capital													
Labor	0.281	0.445	0.848	0.793	1.143	1.333	1.337	0.808	0.978	0.456	0.440	2.558	11.419
Non-Labor	3.553	5.394	9.939	9.325	13.270	15.403	15.453	9.494	11.402	5.529	5.338	29.207	133.308
Total	3.834	5.839	10.787	10.118	14.413	16.736	16.790	10.302	12.380	5.985	5.778	31.765	144.727
2005													
SONGS Common (75.35%)													
Labor	0.071	0.071	0.071	0.071	0.071	0.071	0.071	0.071	0.071	0.071	0.071	0.071	0.847
Non-Labor	0.635	0.635	0.635	0.635	0.635	0.635	0.635	0.635	0.635	0.635	0.635	0.635	7.626
Total	0.706	0.706	0.706	0.706	0.706	0.706	0.706	0.706	0.706	0.706	0.706	0.706	8.473
SONGS Units 2&3													
Labor	0.473	0.473	0.473	0.473	0.473	0.473	0.473	0.473	0.473	0.473	0.473	0.473	5.682
Non-Labor	4.261	4.261	4.261	4.261	4.261	4.261	4.261	4.261	4.261	4.261	4.261	4.261	51.136
Total	4.735	4.735	4.735	4.735	4.735	4.735	4.735	4.735	4.735	4.735	4.735	4.734	56.818
Marine Mitigation													
Labor	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Non-Labor	1.583	1.583	1.584	1.583	1.583	1.584	1.583	1.583	1.584	1.583	1.583	1.584	19.000
Total	1.583	1.583	1.584	1.583	1.583	1.584	1.583	1.583	1.584	1.583	1.583	1.584	19.000
Total SONGS Capital													
Labor	0.544	0.544	0.544	0.544	0.544	0.544	0.544	0.544	0.544	0.544	0.544	0.544	6.529
Non-Labor	6.480	6.480	6.481	6.480	6.480	6.481	6.480	6.480	6.481	6.480	6.480	6.480	77.762
Total	7.024	7.024	7.025	7.024	7.024	7.025	7.024	7.024	7.025	7.024	7.024	7.024	84.291