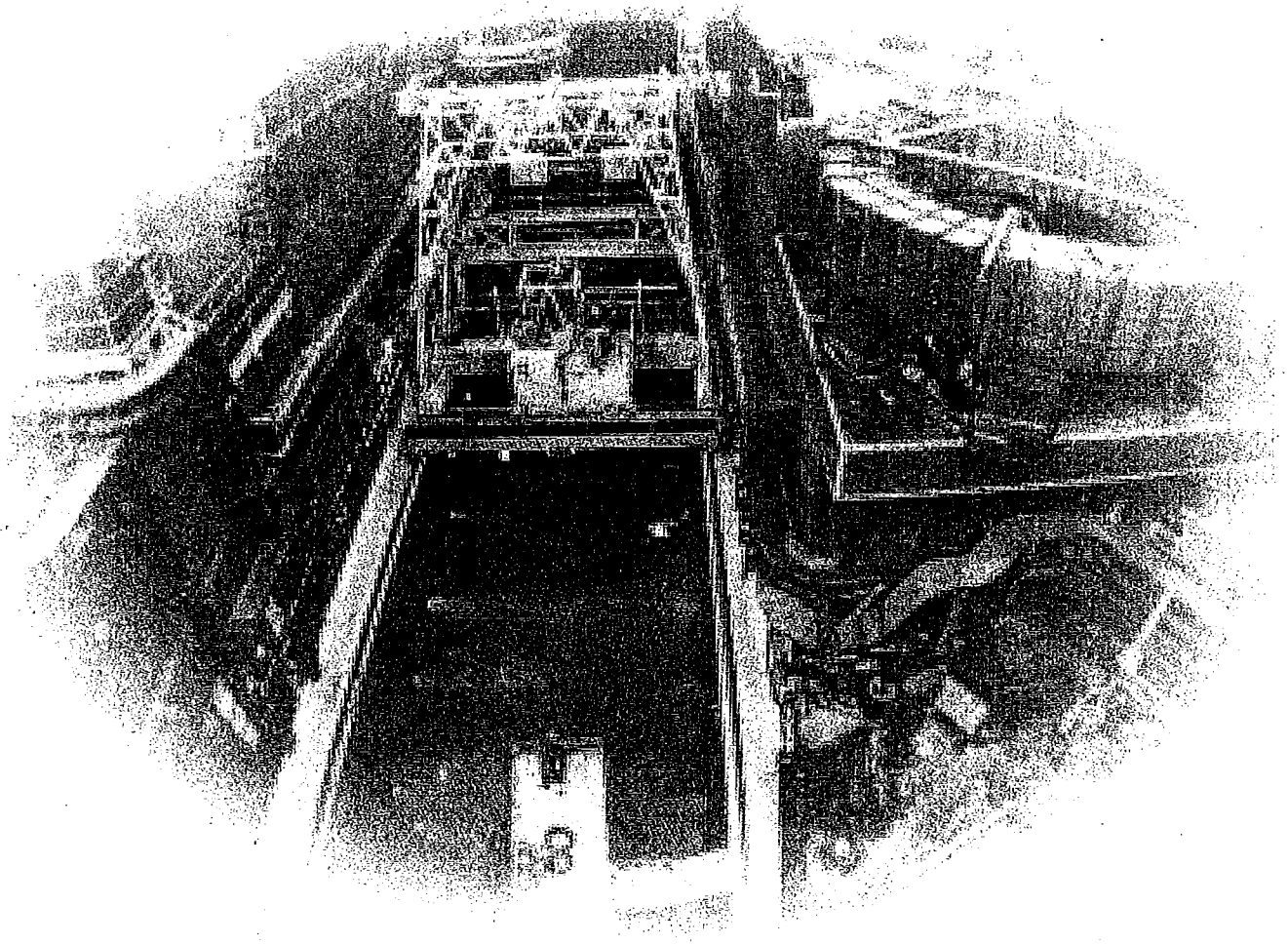


SONGS UNITS 2 & 3
PRE-BOR UPDATE
JANUARY 22, 2004



AGENDA
SONGS PRE-BOR UPDATE MEETING
JANUARY 22, 2004

- REVIEW OF OPERATIONS - UNIT 2
- REVIEW OF OPERATIONS - UNIT 3
- FUEL SUPPLY ISSUE
- STEAM GENERATOR UPDATE
- BOR AGENDA ITEMS FOR 1/23/04 MEETING
 1. Five-Year Outage Schedule Approval
 2. Fuel Management Plan Approval
 3. DOE Spent Fuel Claim
 4. 2003 Budget Performance
 5. 2004 O&M and Capital Budget Approvals
 6. Review of SCE Steam Generator Replacement Filing
 7. Operating Impairment Issue
 8. Open Discussion

STEAM GENERATOR UPDATE

- Economics of new "Do Not Replace" alternative with 2013 shutdown is better than "Replace" base case (summary chart attached). Could enhance further by using new (higher) capital forecast and higher SGR cost estimate.
- Plant management continues to treat SGR as an uncertainty:
 - SG maintenance is being planned conservatively (as though they will not be replaced).
 - Units 2&3 ISFSI design provides for operation through 2046.
- We are retaining Sargent & Lundy to help us prepare for Arbitration and/or CPUC Protest. S&L is willing to serve as our expert witness to support their previous and additional work. Scope of work is being developed.
- Regulatory is gathering historic SCE/SDG&E documents to search for statements re. value of SONGS capacity (pertains to Operating Impairment).
- PG&E filed for SGR at Diablo Canyon in 2008-09 based on "a greater than 50% likely-hood of forced shutdown by 2013-14". PG&E is requesting:
 - \$706M of cost recovery.
 - Interim decision by 6/1/04 so new SGs can be ordered.
 - Final decision by 10/04.
- SGR funding has been removed from 2004 Capital Budget.
- BOR presentation by Carol Schmid-Frazee on SCE's plans for CPUC filing:
 - Filing will probably be submitted to the CPUC in early February.
 - Presentation will review the contents of SCE's filing.
- BOR presentation by Carol Schmid-Frazee on Operating Impairment Issue:
 - SCE has determined no operating impairment exists.
 - Presentation will elaborate on the reasons for that determination.

protest for document because we don't agree.

we should dispute these under O/A

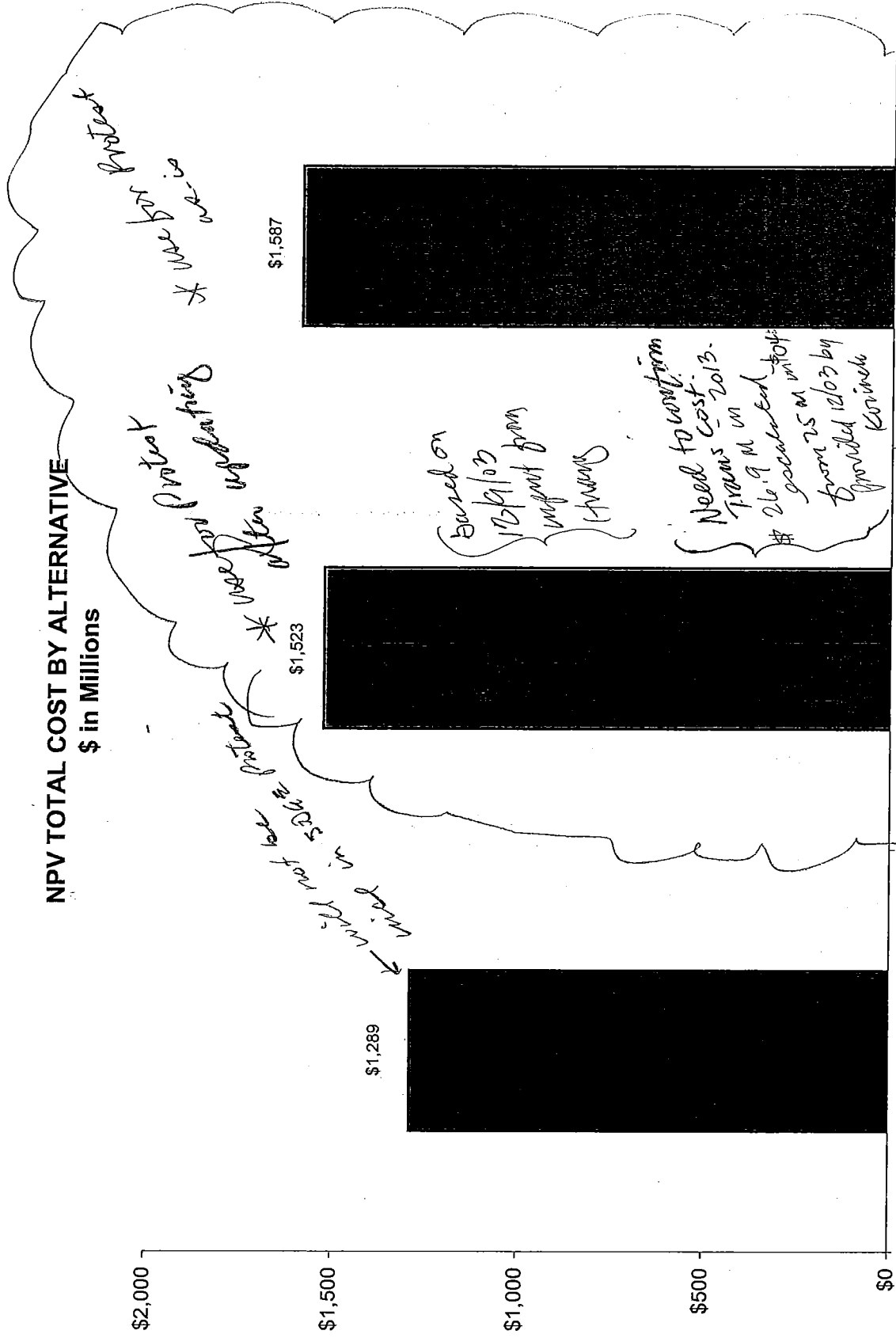
2004 CAPITAL BUDGET APPROVAL

(Presenter: Marc Goettel)

- \$23M SGR funding has been removed from budget (SDG&E share \$4.6M plus overheads).
- SCE plans to absorb 100% of SGR project cost (primarily engineering work) until August when orders must be placed for major components.
- SCE plans to request a budget revision to restore SGR funding by mid-year, anticipating that Participants will have agreed to the SGR project by that time.
- **Recommendation: Approve 2004 Capital Budget.**

NPV TOTAL COST BY ALTERNATIVE \$ in Millions

NPV TOTAL COST



Steam Generator Replacement
NPV Mill per kWh = 25.3

Do Not Replace - 2013 Shutdown
NPV Mill per kWh = 24.1

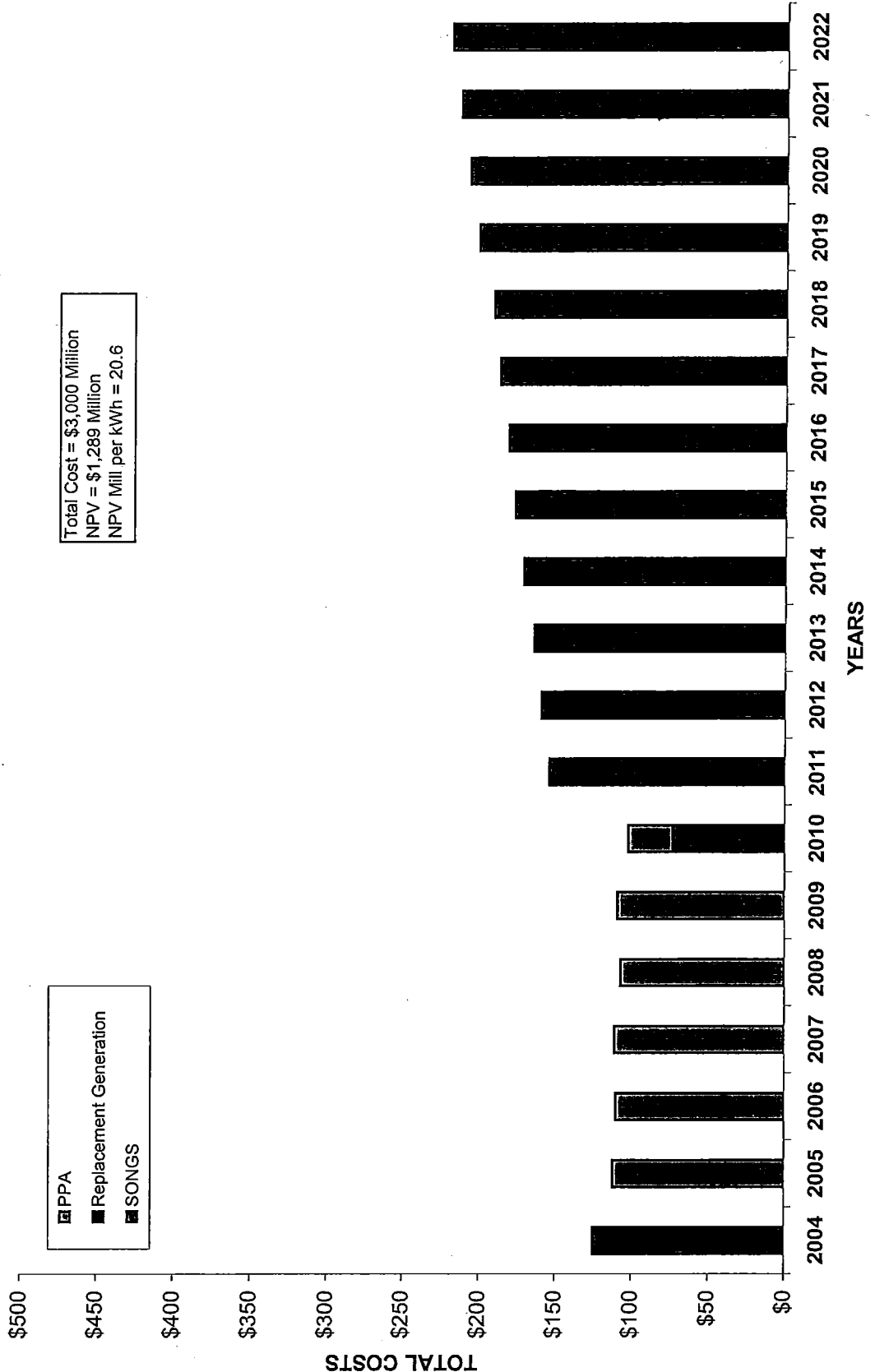
SDG&E's Settlement Proposal
NPV Mill per kWh = 20.6

Alt 1

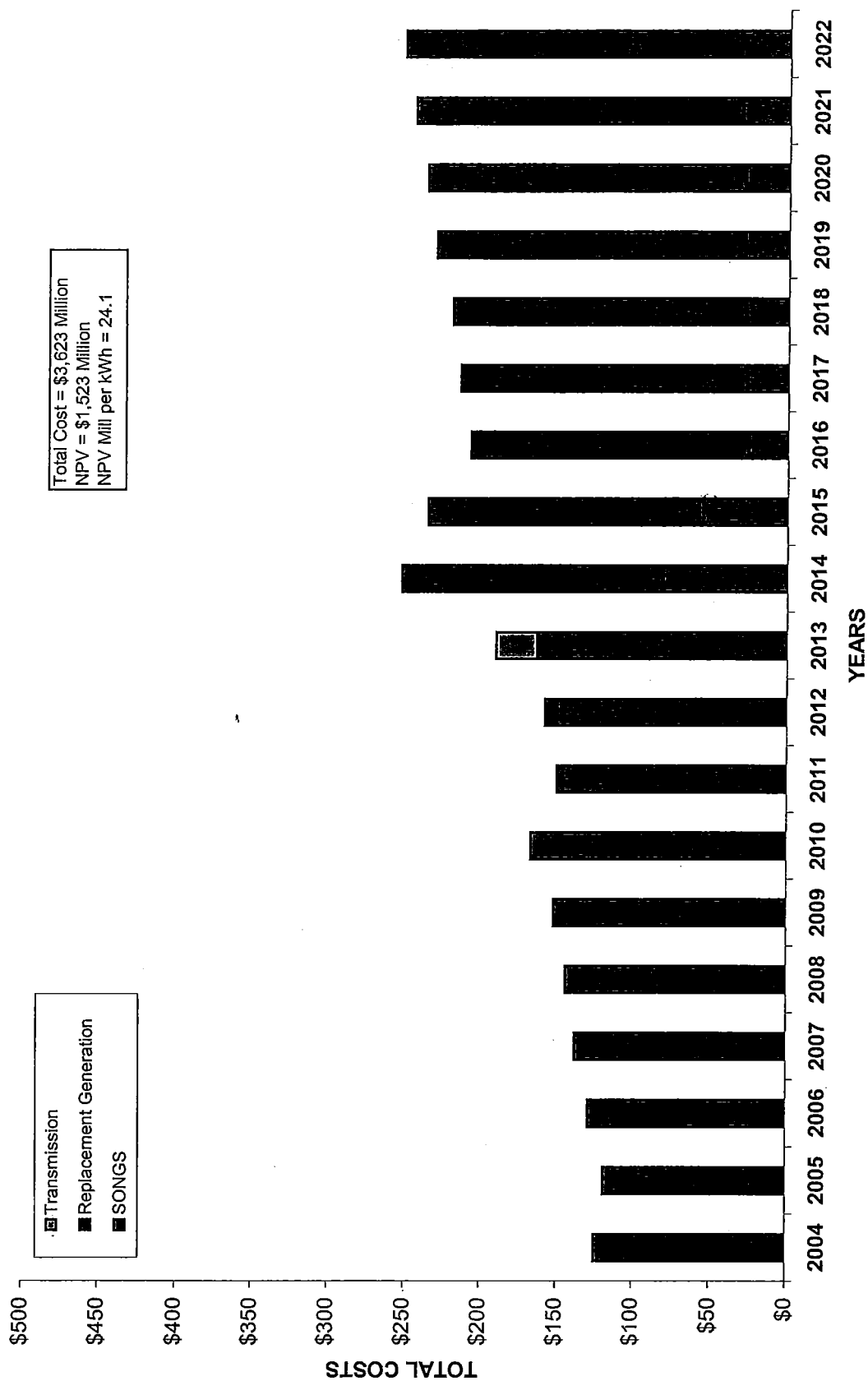
Alt 2A

Alt 7

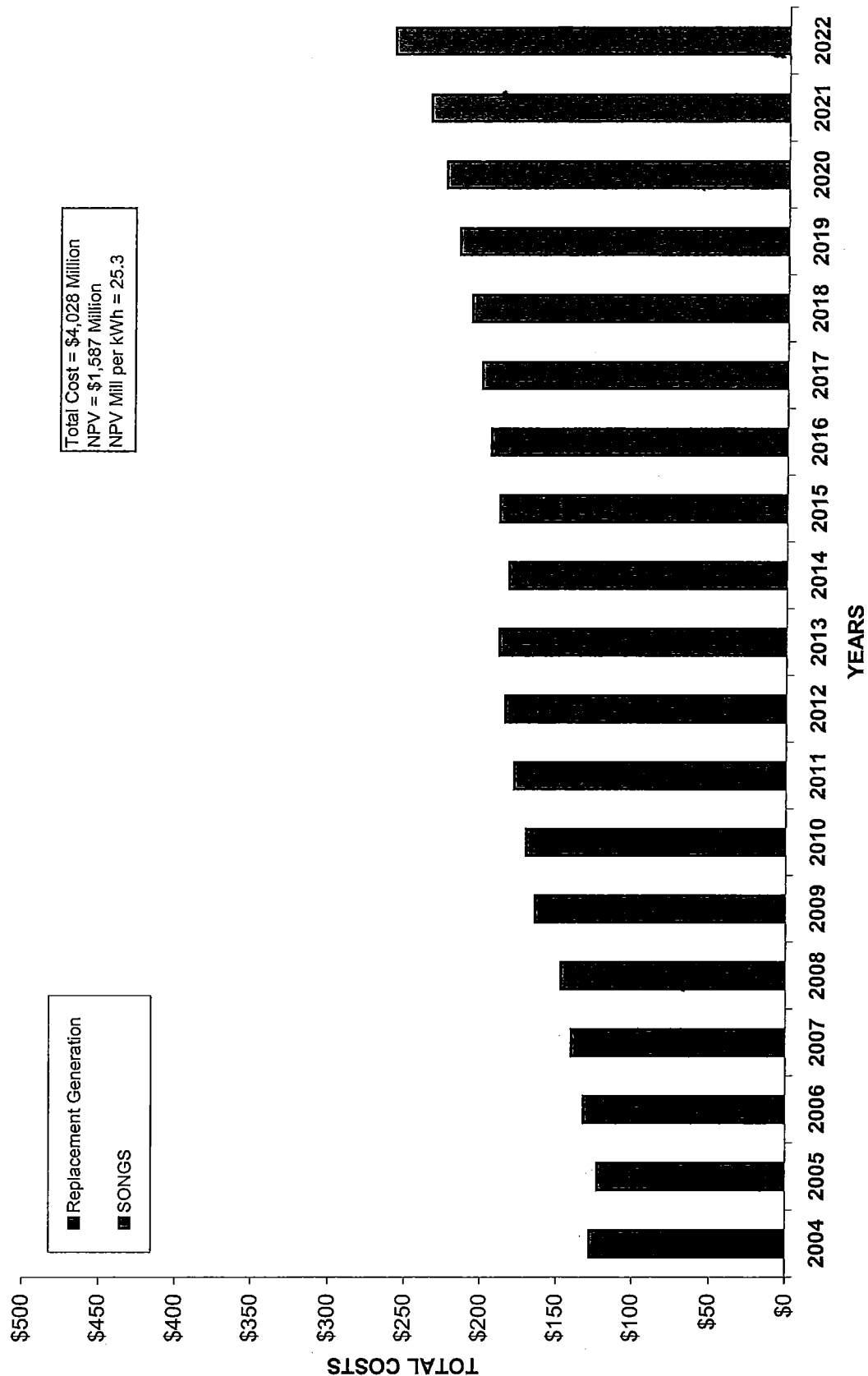
SDG&E'S SETTLEMENT PROPOSAL
\$ in Millions



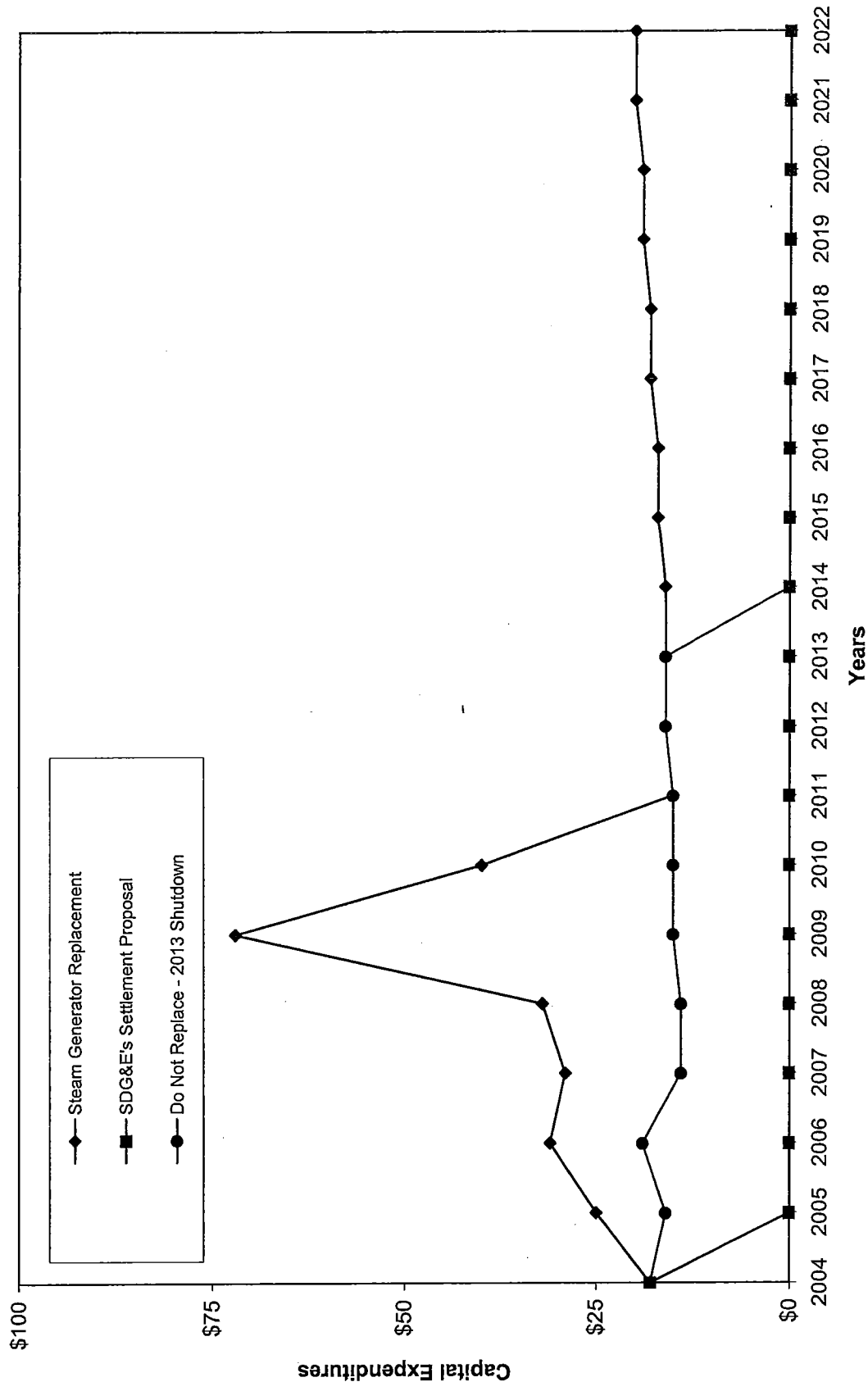
DO NOT REPLACE - 2013 SHUTDOWN \$ in Millions



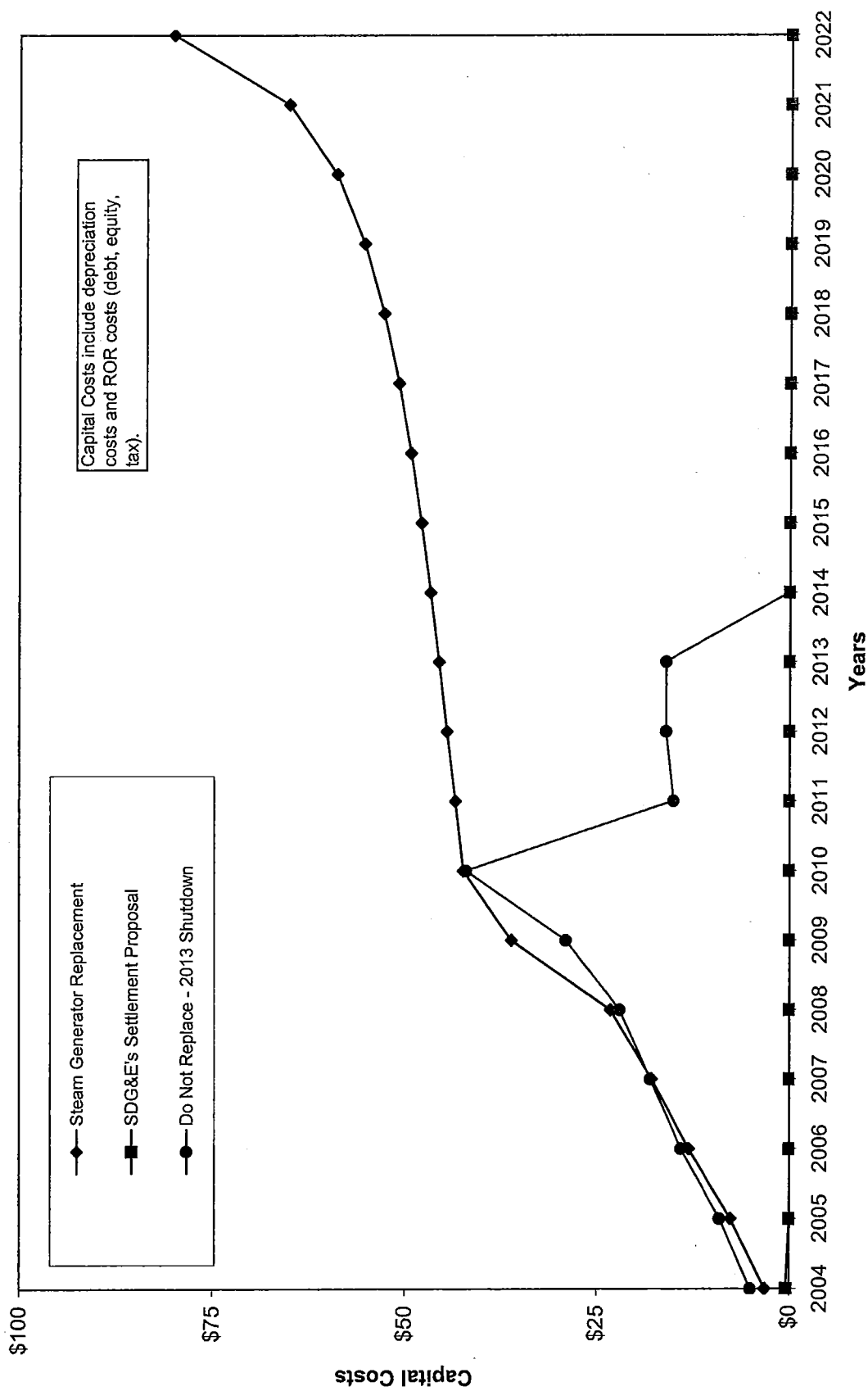
STEAM GENERATOR REPLACEMENT \$ in Millions



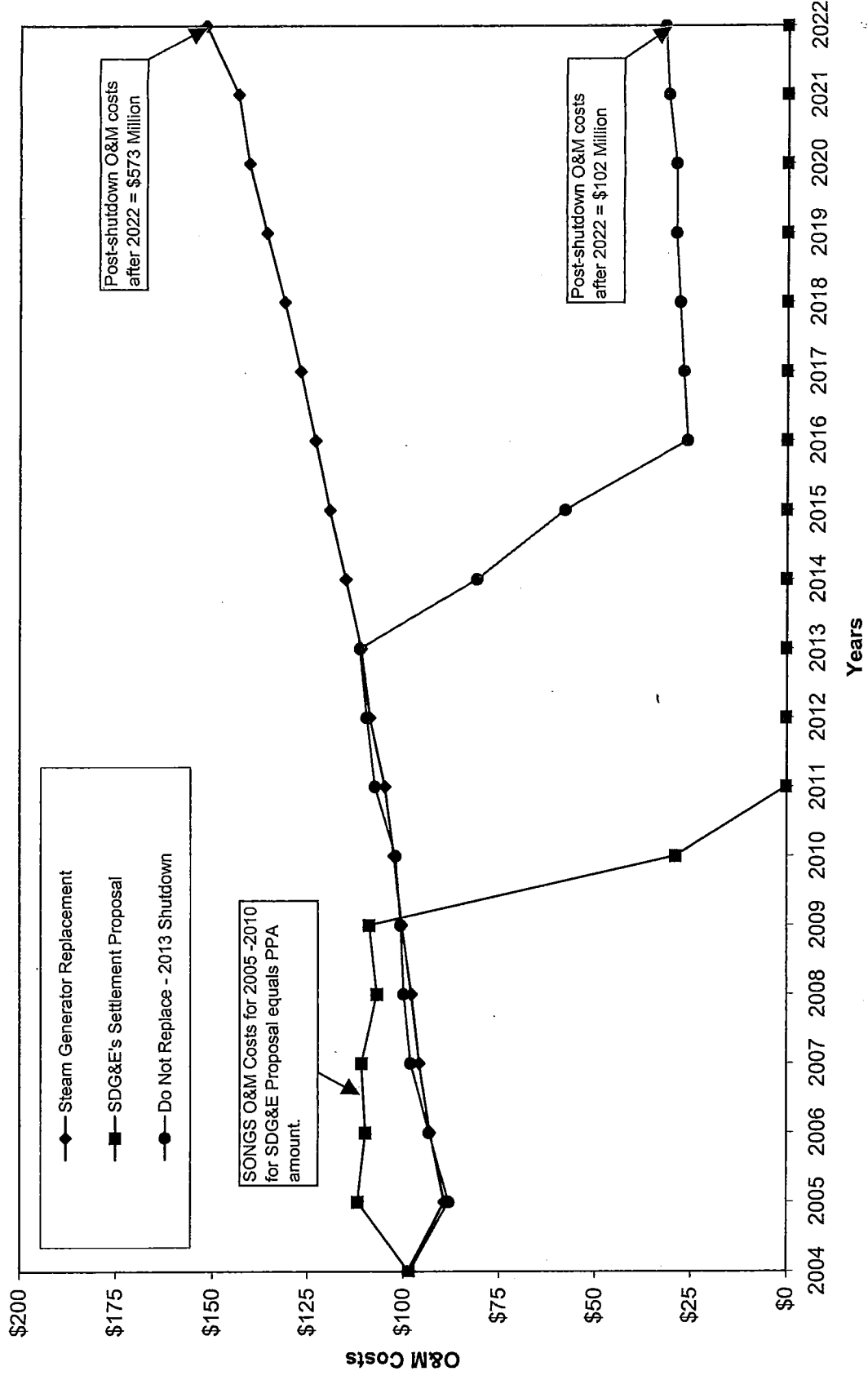
SONGS Capital Expenditures \$ in Millions



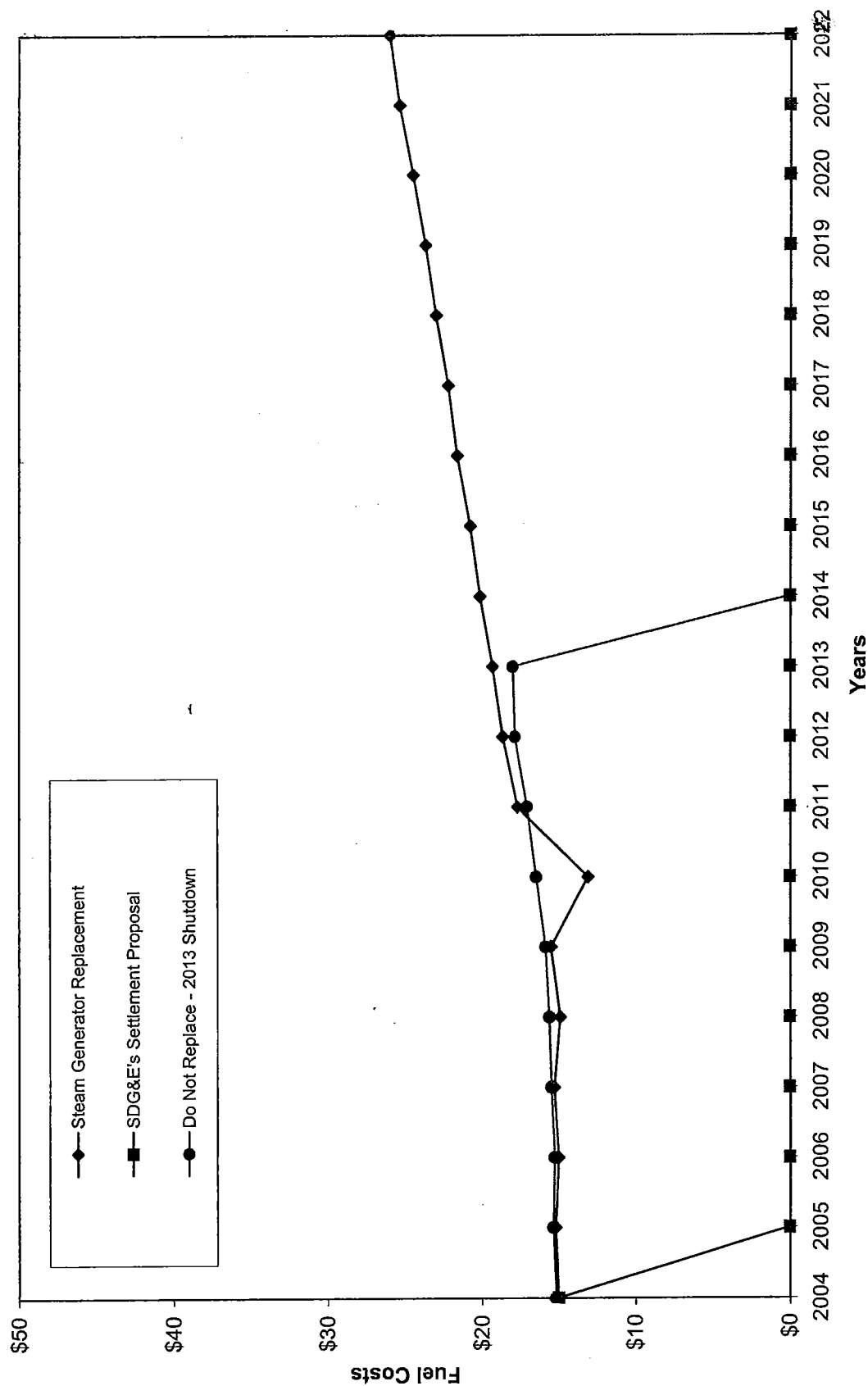
SONGS Capital Costs \$ in Millions



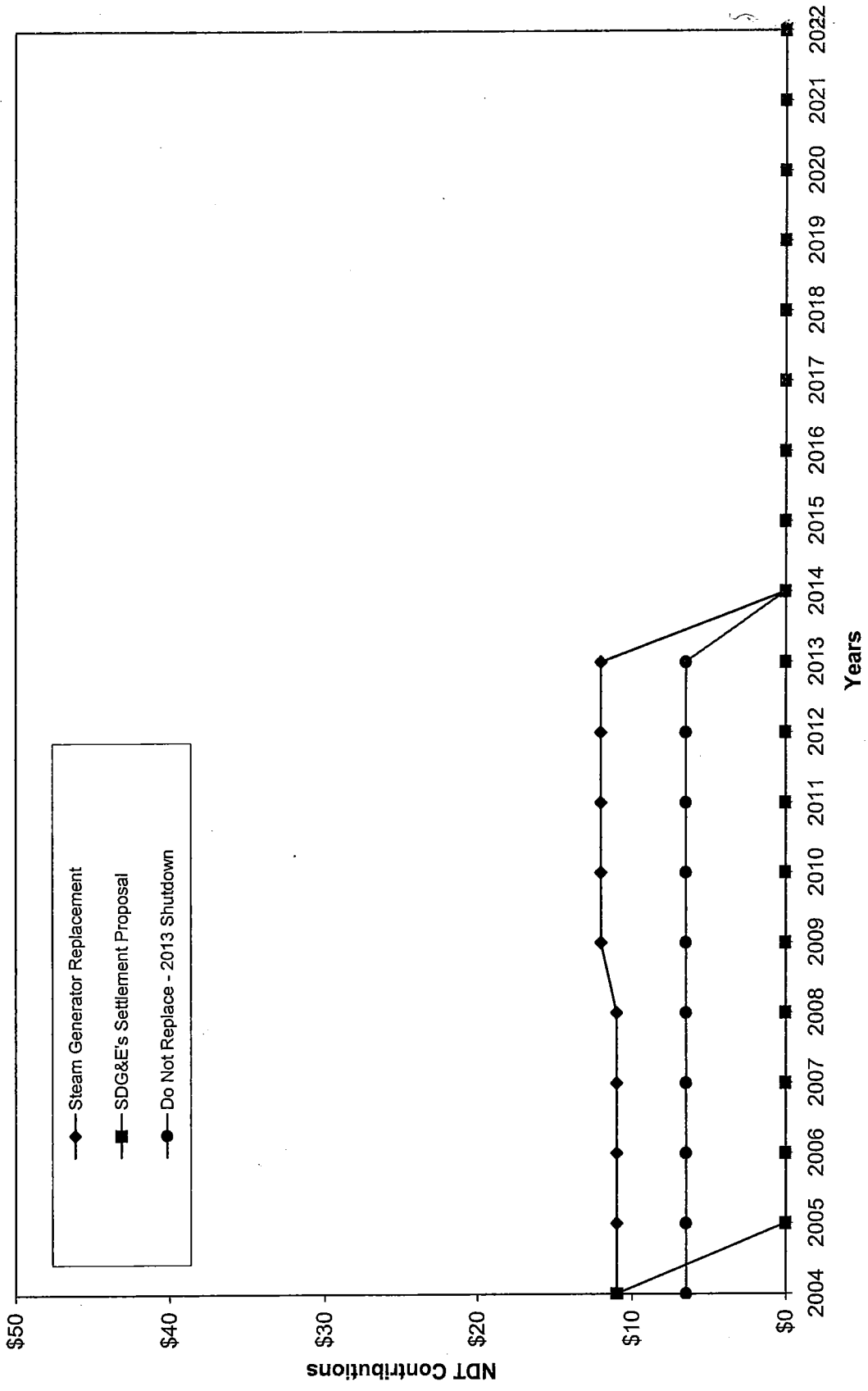
SONGS O&M Costs \$ in Millions



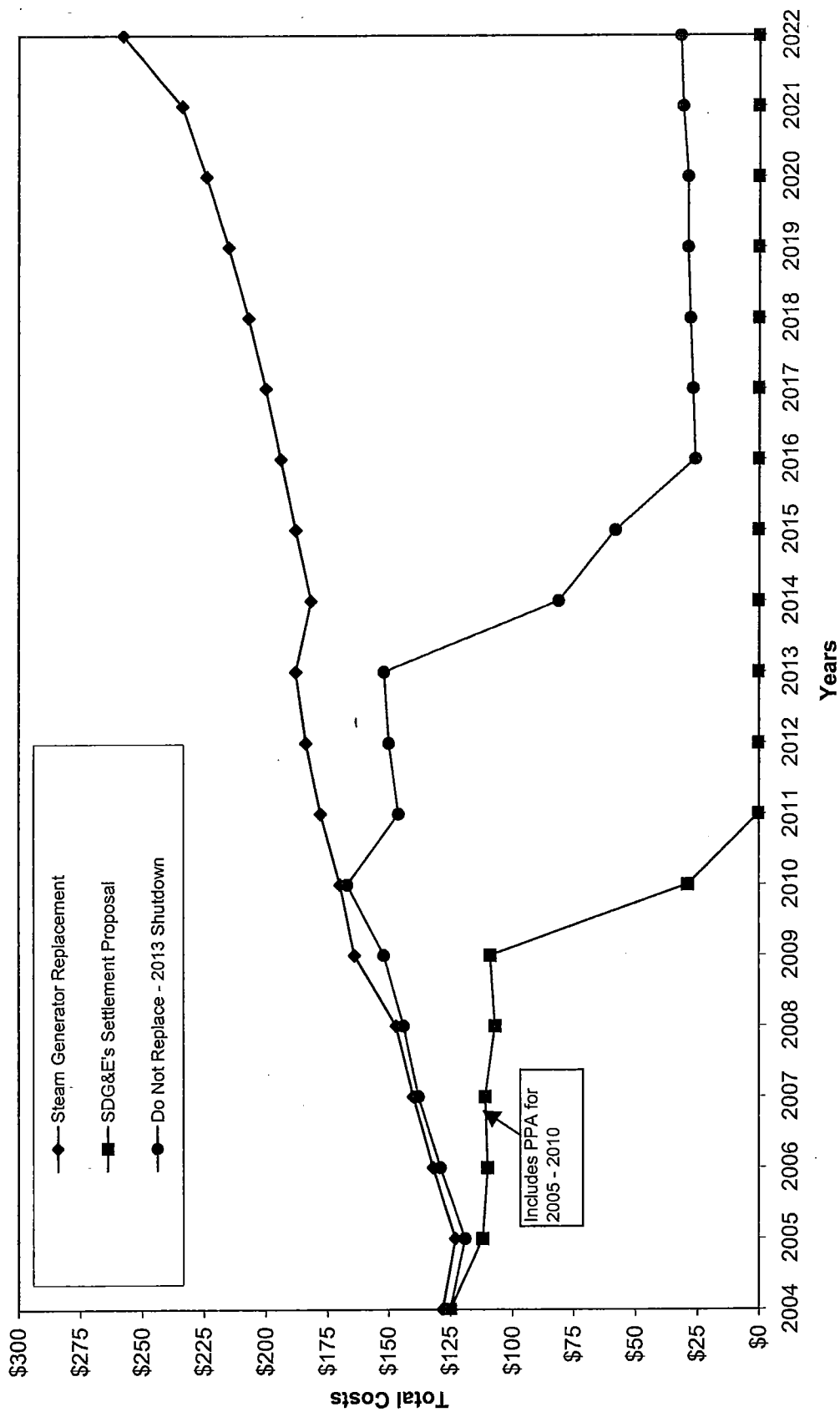
SONGS Fuel Costs \$ in Millions



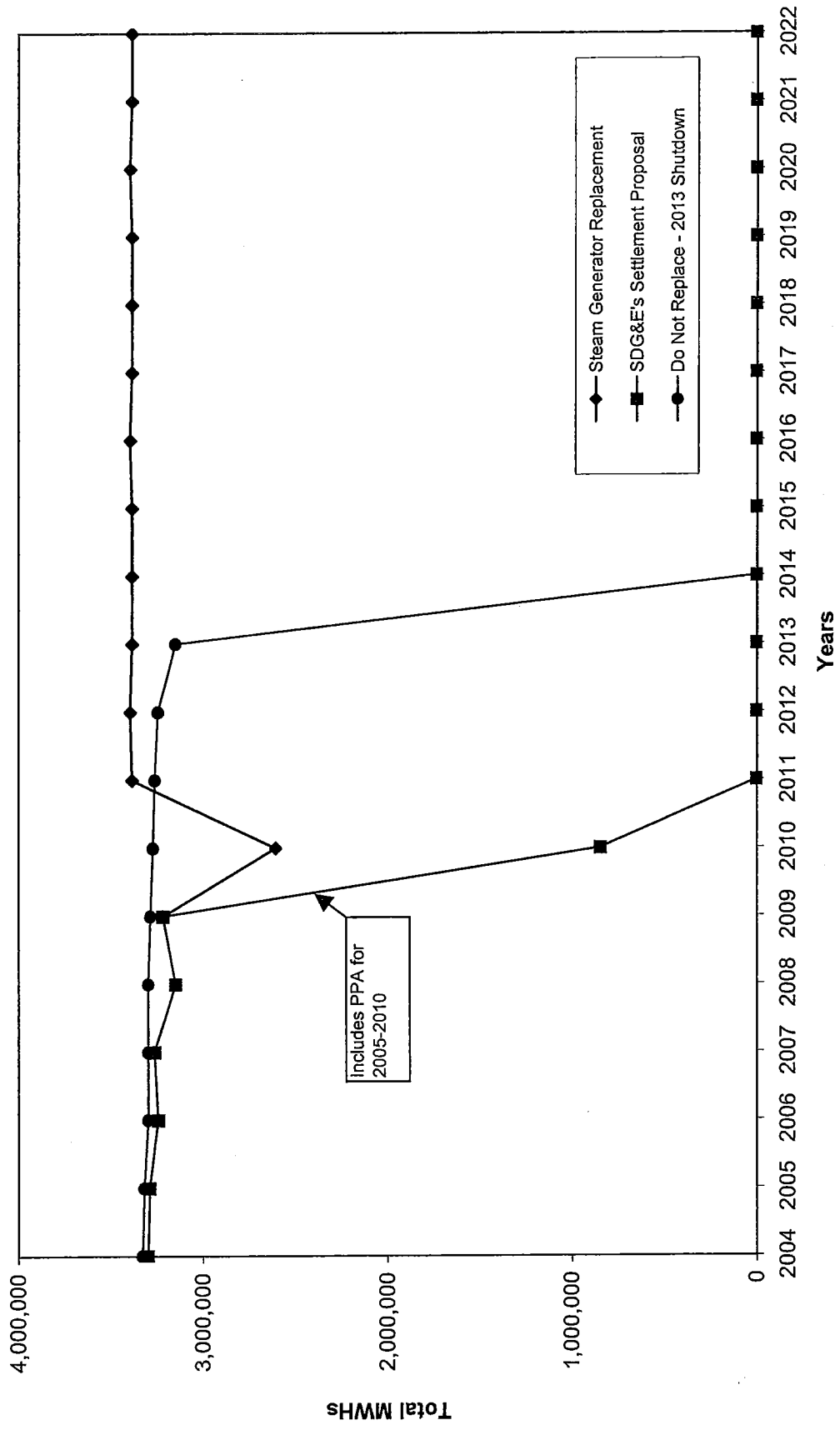
SONGS Nuclear Decommissioning Trust Contributions \$ in Millions



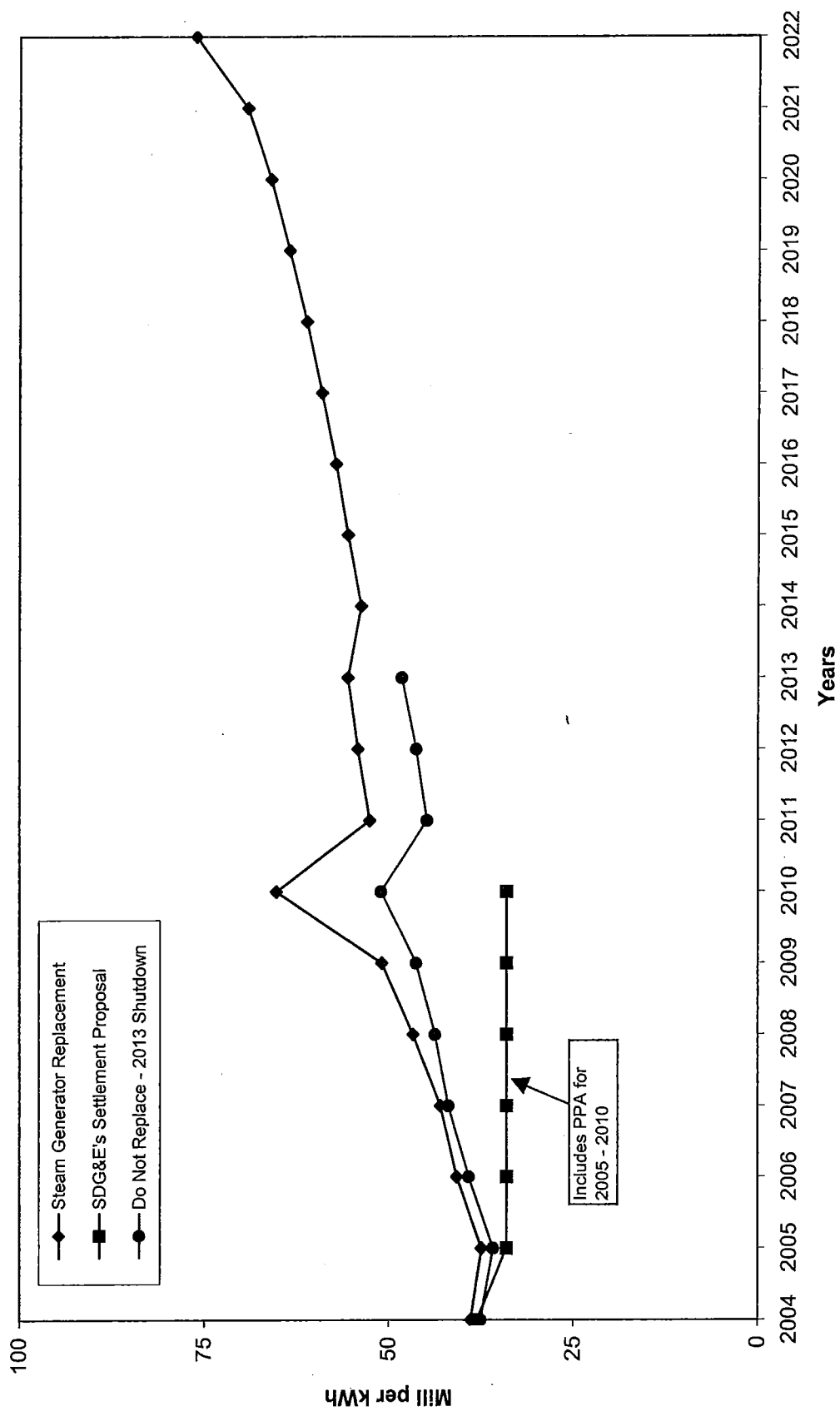
SONGS Total Costs \$ in Millions



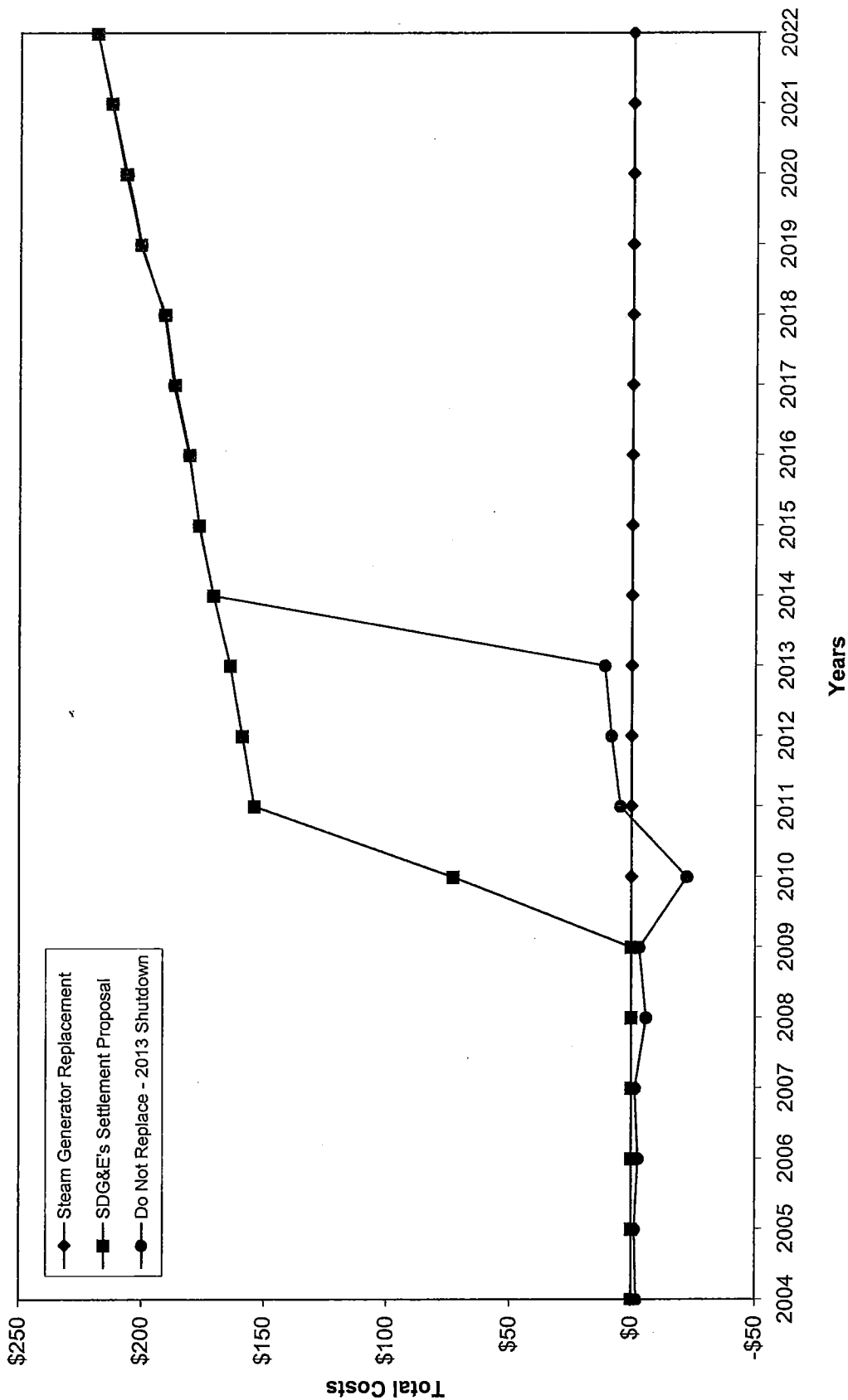
SONGS Generation MWHs



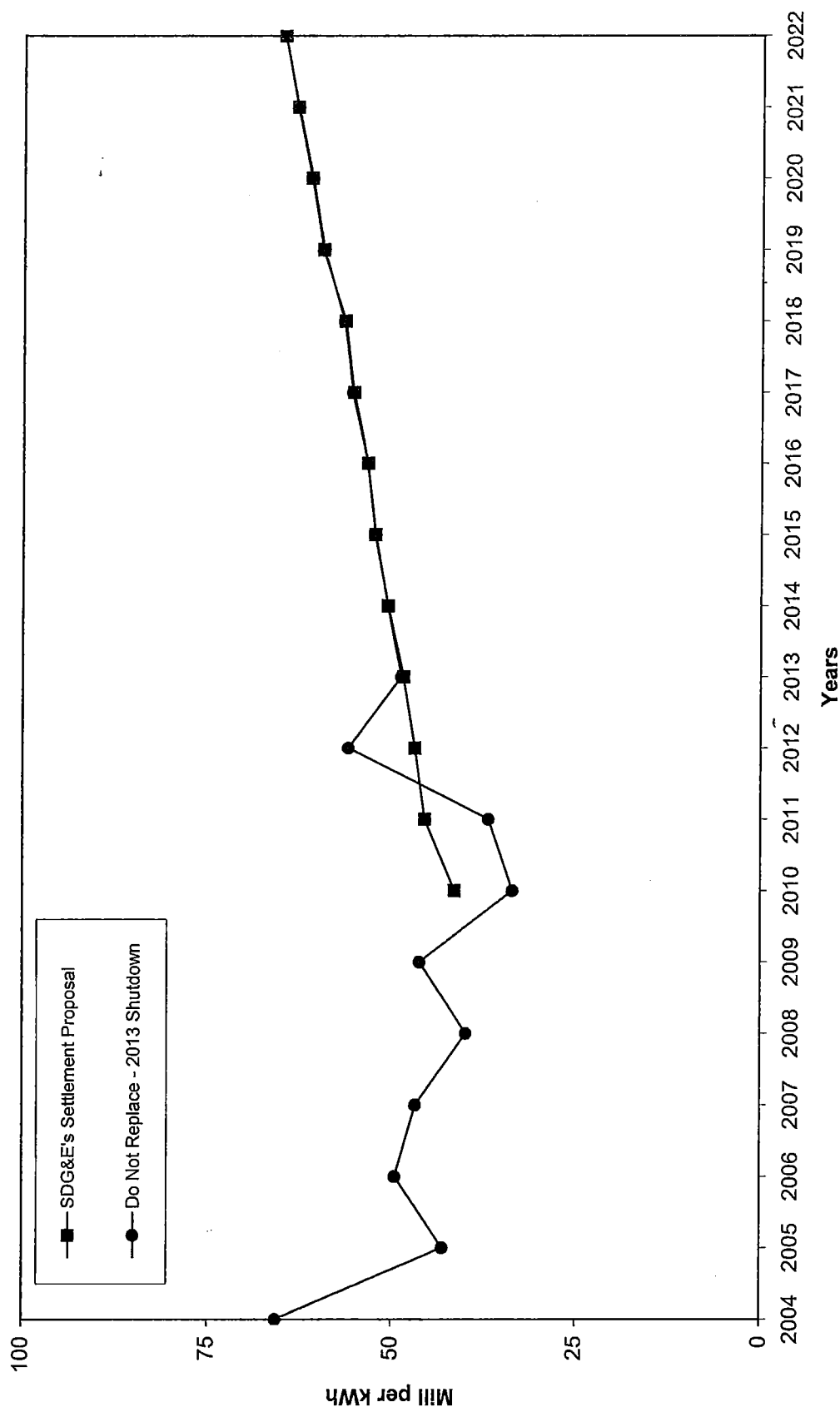
SONGS Energy Costs Mill per kWh



Replacement Generation Costs \$ in Millions



Replacement Energy Price Mill per kWh



Total Energy Costs \$ in Millions

