

SUMMARY OF SONGS OPERATING AGREEMENT SECTION 16 "OPERATING
IMPAIRMENT" AS IT PERTAINS TO STEAM GENERATOR REPLACEMENT

ITEM	DESCRIPTION	REFERENCE
1.	As soon as practicable SCE must notify the BOR in writing of the <u>preliminary cost estimate and schedule for Restoration Work</u> . [In this case Restoration Work is Steam Generator Replacement (SGR)].	Sec. 16.1
2.	Within <u>120 days of the above written notice</u> SCE must submit to the BOR in writing its <u>best cost estimate and schedule for SGR</u> .	Sec. 16.2
3.	Within the same 120-day period the parties submit to each other their estimates of the value of SONGS Capacity " <u>Ve</u> " and " <u>Vop</u> ". These estimates are subject to change. [Presumably Ve and Vop are to be finalized at the completion of SGR in 2010. See definitions below.]	Sec. 16.2
4.	Definition of Ve: "The value to Edison at that time, expressed in dollars per kilowatt, of capacity in such Unit over its remaining lifetime, considering Edison's need for capacity and the alternatives available to Edison at that time." [Presumably "at that time" means 2010, and "remaining lifetime" means 2010-2022. This would be consistent with the language in Section 16.2.]	Sec. 16.8.1
5.	Definition of Vop: "The value to such Other Party at that time, expressed in dollars per kilowatt, of capacity in such Unit over its remaining lifetime, considering such Other Party's need for capacity and the alternatives available to such Other Party at that time; provided, however, for purposes of this formula, Vop shall not be greater than Ve." [Due to this limitation, Ve is the controlling factor in determining ownership reduction.]	Sec. 16.8.1
6.	SCE is not obligated to perform SGR because the net cost is greater than the amounts referenced in Section 16.4 and Section 16.3.1.	Sec. 16.1

SGR shipped this stop

done in Test

Ve Done in Test

ASAP

SGR + 120 d

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The value to Edison at that time, expressed in dollars per kilowatt, of capacity in such Unit over its remaining lifetime, considering Edison's need for capacity and the alternatives available to Edison at that time.

- ASAPr2
7. As soon as practicable SCE shall submit a plan for carrying out the SGR. Sec. 16.5 Done in Test
- ASAPr2 + 1202
8. Within 120 days of receiving the above restoration plan, each party elects whether to participate in the SGR. If SCE elects not to participate, the parties will agree how the plant is to be shut down and decommissioned. Sec. 16.5 Due 10/25/04
9. BOR members who elect to participate shall approve the above restoration plan. Sec. 16.6
10. Each party shall pay its ownership share of SGR costs up to the time it elects not to participate. Sec. 16.9.1
11. Thereafter SCE shall pay the ownership share of SGR costs for those parties who elect not to participate. Sec. 16.9.2
12. The parties' ownership shares will change when the SGR is completed and all costs are known [in 2010]. Sec. 16.8.2
13. New ownership shares will be based on the formulae in Sections 16.8.1 and 16.8.2. [Ownership reduction depends primarily on the amount of SGR cost avoided by the party, and the values of V_e and V_{op} . If the avoided SGR cost is greater, the resulting ownership reduction is greater. If the values of V_e and V_{op} are greater, the resulting ownership reduction is less. Therefore we want the cost of SGR to be small and values of V_e and V_{op} to be large.] Sec. 16.8.1
14. The values of V_e and V_{op} are subject to arbitration in the event of a dispute and are subject to CPUC approval. [Presumably this would occur in 2010 at the completion of SGR.] Sec. 16.8.1
15. All on-going O&M and Capital costs not related to the SGR will be allocated based on the ownership shares in effect at the time the costs are incurred. Sec. 16.9.3
16. The parties will cooperate to amend SONGS agreements, leases, etc. to reflect the changed ownership shares. Sec. 16.10
17. The cost of the SGR will be included in the O&M and Capital budgets. Sec. 16.11