

## **SUMMARY OF KEY TERMS OF SONGS OII AMENDED SETTLEMENT AGREEMENT<sup>1</sup>**

On Sept. 23, 2014, Southern California Edison and settling parties signed an amended settlement agreement that, among other things, changes the ratepayer portion of third-party recoveries, addresses increased emissions, and increases oversight of revised rate calculations by the California Public Utilities Commission. The CPUC unanimously approved the amended settlement in November 2014.

### Replacement Steam Generators (“RSGs”)

- Customers do not pay for the cost of the RSGs as of 2/1/2012, the first day after the Unit 3 tube leak. This amounted to \$597 million for Edison and \$160 million for SDG&E.
- The utilities refunded all amounts collected in rates for capital investment in the RSGs since 2/1/12, and kept all amounts collected prior to that date.

### Other Investments

- The remaining investments at SONGS – including other parts of the plant, spare parts, ongoing projects, and nuclear fuel – are being recovered over 10 years, at a reduced rate of return.
- The rate of return provides no return on equity (profit), but covers the cost of debt and half of the cost of preferred stock. For example, with respect to remaining investments excluding nuclear fuel, Edison is allowed a return of 2.62 percent (which may be adjusted in the future), compared to its ordinary return of 7.9 percent as approved by the CPUC.
- In the case of nuclear fuel, the utilities recover an even lower return, equal to the cost of commercial paper.
- The utilities refunded amounts they collected in rates since 2/1/12 that are higher than the amounts allowed under the settlement for the rate of return.
- Customers receive 95 percent of the net proceeds of the sale of spare parts and nuclear fuel. These sales reduce the amount ratepayers pay under the settlement.

### Operations and Maintenance (“O&M”) Costs

- The utilities were not be allowed to recover in rates any amounts they spent in 2012 to inspect and repair the steam generators in excess of the revenue requirement that had already been provisionally authorized. For Edison, this is about \$99 million that customers didn’t pay.
- The utilities refunded all money they have collected from customers for SONGS O&M that is greater than what they actually spent.

### Replacement Power Costs

- The utilities recovered in rates all amounts spent to purchase power in the market to replace the output from SONGS.

### Third-Party Recoveries

- Customers’ obligation to reimburse the utilities for the remaining SONGS investment is reduced by recoveries from Mitsubishi and insurance. Any recoveries from Mitsubishi, net of legal costs incurred to pursue such recoveries, will be allocated 50 percent to customers and 50 percent to SCE. Customers received 95 percent of recoveries from the insurance company, after deducting litigation costs.

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<sup>1</sup> This summary is qualified in its entirety by reference to the complete text of the SONGS OII Amended Settlement Agreement.

### Emissions Research

- The utilities are required to fund a Research, Development, and Demonstration program at the University of California to develop technologies and methodologies to reduce greenhouse gas emissions, particularly at existing and future California power generating plants that will be replacing the power generated by the San Onofre plant. These costs are funded by SCE's shareholders and total approximately \$4 million per year for five years.

**More Information:** A copy of the Settlement, along with the supporting documents may be found at the following link:

<http://www3.sce.com/sscc/law/dis/SongsOIIDocLibrary.nsf/formDocument.xsp?documentId=9D4CD7F8DE4F605988257CB00002C6D3&action=openDocument>