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4 SAN ONOFRE UNITS 2
5 AND 3 PARTICIPATION AGREEMENT
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11 SOUTHERN CALIFORNIA EDISON COMPANY
12 SAN DIEGO GAS & ELECTRIC COMPANY
13 CITY OF RIVERSIDE
14 CITY OF ANAHEIM
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SAN ONOFRE UNITS 2
AND 3 PARTICIPATION AGREEMENT

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SAN ONOFRE UNITS 2
AND 3 PARTICIPATION AGREEMENT

1. PARTIES: The Parties to this Participation Agreement are: SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation ("Edison"); SAN DIEGO GAS & ELECTRIC COMPANY, a California corporation ("San Diego"); CITY OF RIVERSIDE, a municipal corporation of the State of California ("Riverside"); and CITY OF ANAHEIM, a municipal corporation of the State of California ("Anaheim"); individually "Party," collectively "Parties."

2. RECITALS: This Participation Agreement is made with reference to the following facts, among others:

2.1 Edison and San Diego presently own, as tenants-in-common, a nuclear generating station located on a site of approximately 90 acres in the northwest corner of the Marine Corps Base, Camp Pendleton, California, and known as the San Onofre Nuclear Generation Station ("San Onofre").

2.2 Edison, Riverside, Anaheim, and the City of Banning entered into the Settlement Agreement, dated August 4, 1972, under which Edison offered to Riverside, Anaheim, and the City of Banning participation in the ownership and output of Units 2 and 3 at San Onofre.

2.3 Riverside and Anaheim by letters to Edison dated April 8, 1977 and April 5, 1977, respectively,

1 have indicated their intent to participate in Units 2
2 and 3 at San Onofre in accordance with the terms and
3 conditions of the Settlement Agreement.

4 2.4 The Parties desire to provide in this
5 Participation Agreement the terms and conditions under
6 which Riverside and Anaheim participate in the
7 ownership and output of Units 2 and 3 at San Onofre.

8 3. AGREEMENT: The Parties agree as follows:

9 4. DEFINITIONS: When used herein, the following terms
10 shall have the following meanings:

11 4.1 Additional Generating Unit: Any facility
12 for the generation of electrical energy (including all
13 auxiliary and associated equipment) constructed or
14 installed at San Onofre other than Unit 1, Unit 2, or
15 Unit 3 or generating facilities necessary for the
16 operation of Unit 1, Unit 2, or Unit 3.

17 4.2 Common Facilities: Those facilities which
18 will serve in connection with the operation and
19 maintenance of all of Units 1, 2, and 3 and which consist
20 of the administrative, warehouse and shop building,
21 including any associated facilities installed therein
22 for the use of all of Units 1, 2, and 3; the security
23 system; the sewage treatment plant; the microwave
24 facility; the common fencing and landscaping; the
25 environmental monitoring equipment; a portion of the
26 railroad spur track; the plant access roads; the

1 probable maximum flood protection facilities; and such
2 other facilities as the Parties may agree upon from time
3 to time.

4 4.3 Common Facilities Area: The entire land
5 area covered by the Project Easements except for the
6 Unit 1 Area, the Units 2 and 3 Area, and the Switch-
7 yard Area, as more fully described in Exhibit B and
8 shown in Exhibit A, both attached hereto.

9 4.4 Construction Agreement: The San Onofre
10 Units 2 and 3 Construction Agreement between Edison
11 and San Diego, dated May 24, 1973, as amended by
12 Amendment No. 1 dated March 8, 1977, attached hereto
13 as Exhibit F.

14 4.5 Construction Costs: Those costs described
15 by Sections 4.2 and 6.1 of the Construction Agreement.

16 4.6 Coordinating Representatives: The repre-
17 sentatives established pursuant to Section 7.1.1 of
18 the Construction Agreement.

19 4.7 Current Operating Capacity: The maximum
20 Units 2 and 3 output in kilowatts available to the
21 Edison Switchyard and San Diego Switchyard less the
22 simultaneous power required for operation of all
23 process and auxiliary equipment and systems used or
24 useful in connection with the operation and
25 maintenance of Units 2 and 3.

26 4.8 Edison Switchyard: The 220-kV switchrack

1 and related facilities at San Onofre connected to and
2 located north of the Interconnection Facilities
3 except for the power circuit breakers, transformer
4 side disconnect switches, conductors, structures, founda-
5 tions, and dead-end assemblies associated with the main
6 transformer leads and reserve auxiliary transformer leads,
7 or any environmental radiation monitoring equipment
8 installed therein. In addition, the controls associated
9 with the Edison Switchyard located in the Units 2 and 3
10 control-administration building are considered to be
11 part of the Edison Switchyard.

12 4.9 Generation Entitlement Share: The per-
13 centage entitlement of each Party to the Net Energy
14 Generation and to the Current Operating Capacity. Each
15 Party's such percentage entitlement to Units 2 and 3
16 shall be as follows:

17 4.9.1 Edison - 76.55 percent

18 4.9.2 San Diego - 20.00 percent

19 4.9.3 Riverside - 1.79 percent

20 4.9.4 Anaheim - 1.66 percent

21 4.10 Interconnection Facilities: The power
22 circuit breakers, conductors, bus support structures,
23 disconnect switches, current transformers, potential
24 transformers, relaying, metering, relaying and meter-
25 ing interface cabinets and taps to the 220-kV buses
26 located in or associated with the bus sectionalizing

1 position through which the Edison Switchyard and the
2 San Diego Switchyard are connected and the common air
3 conditioning unit and associated controls for the
4 relay houses.

5 4.11 Net Energy Generation: The energy
6 (kilowatthours) generated by Units 2 and 3 over any
7 period of time less the energy required for operation
8 of all process and auxiliary equipment and systems used
9 in connection with the operation and maintenance of
10 Units 2 and 3.

11 4.12 Nuclear Fuel: Any special nuclear or
12 byproduct material as defined in the Atomic Energy Act
13 of 1954, as amended and as may be amended from time to
14 time, including irradiated fuel and radioactive waste
15 and other products resulting directly or as a result
16 of reprocessing, possessed or utilized in connection
17 with Unit 2 or Unit 3, or produced or remaining as a
18 result of the operation of Unit 2 or Unit 3. Where
19 the term "supply of Nuclear Fuel" is used, it shall
20 mean and include arrangements with respect to all
21 aspects of the nuclear fuel cycle, including the mining,
22 milling, design and licensing, conversion, enrichment,
23 fabrication, transportation, reprocessing, storage and
24 disposal of Nuclear Fuel.

25 4.13 Nuclear Fuel Agreement: Any agreement
26 entered into by the Project Director (or Operating

1 Agent) for the supply of Nuclear Fuel, including,
2 without limitation, agreements for the purchase, sale,
3 lease, transfer, disposition, management, storage,
4 transportation, mining, milling, conversion, enrichment,
5 processing, design and licensing, fabrication, repro-
6 cessing, and disposal of Nuclear Fuel.

7 4.14 Operating Agent: Edison, who, pursuant to
8 the San Onofre Units 2 and 3 Letter Agreement, is
9 designated the Company having responsibility for the
10 operation and maintenance of Unit 2 and Unit 3.

11 4.15 Ownership Agreement: The San Onofre
12 Ownership Agreement between Edison and San Diego,
13 dated October 5, 1967, and attached hereto as
14 Exhibit G.

15 4.16 Plant Site: An area of land used for the
16 major portion of San Onofre described in an easement
17 granted for such purpose by the United States to
18 Edison and San Diego on May 12, 1964 and recorded in
19 the Official Records, Office of the County Recorder of
20 San Diego County, in Series 5, Book 1964, Page No. 85887
21 as amended by the Amendment to Grant of Easement recorded
22 on July 6, 1977 in the Official Records, Office of the
23 County Recorder of San Diego County, in Book 1977,
24 Page No. 77-268984.

25 4.17 Project Director: Edison, who, as agent for
26 San Diego, Riverside, and Anaheim, and as principal on its

1 own behalf, is designated the Party having the
2 responsibility for the performance and completion of
3 the "Project Work" under the Construction Agreement.

4 4.18 Project Easements: The interests acquired
5 under (1) three easements in favor of Edison and San
6 Diego granted by the United States of America, covering
7 respectively, the Plant Site, including the associated
8 exclusion area, the Access Road Area, and the Spur
9 Track Area, all recorded in the Official Records of
10 San Diego County and hereinafter sometimes referred to
11 respectively as the Plant Site Easement, the Access
12 Road Easement and the Spur Track Easement; (2) the
13 easement-lease covering the Off-Shore Land; (3) a
14 license granted to Edison and San Diego by the
15 Atchison, Topeka and Santa Fe Railway perfecting the
16 rights of Edison and San Diego for those portions of
17 the Access Road Area lying within the railroad right
18 of way; and (4) any Subsequent Acquisition; all initial
19 capitalized terms in this section shall have the
20 meanings defined in this Participation Agreement or,
21 if not defined herein, in the Ownership Agreement.

22 4.19 San Diego Switchyard: The 220-kV switchrack
23 and related facilities at San Onofre connected to and
24 located south of the Interconnection Facilities
25 except for the power circuit breakers, transformer
26 side disconnect switches, conductors, structures,

1 foundations, and dead-end assemblies associated
2 with the main transformer leads and reserve auxiliary
3 transformer leads, or any environmental radiation
4 monitoring equipment installed therein.

5 4.20 San Onofre Nuclear Generating Station

6 ("San Onofre"): The entire nuclear generating facility
7 located on a site of approximately 90 acres in the
8 northwest corner of the Marine Corps Base, Camp
9 Pendleton, California, consisting of the Plant Site,
10 the Access Road Area, the Spur Track Area, and Off-
11 Shore Land, any Subsequent Acquisitions, Unit 1, Unit 2,
12 Unit 3, the Common Facilities, the Edison
13 Switchyard, the San Diego Switchyard, the Interconnection
14 Facilities, and any Additional Generating Units subse-
15 quently constructed or installed, as such terms are
16 defined in this Participation Agreement or, if not
17 defined herein, in the Ownership Agreement.

18 4.21 San Onofre Units 2 and 3 Letter Agreement:

19 The letter agreement between Edison and San Diego,
20 dated January 22, 1970 and agreed to by San Diego on
21 January 23, 1970, relating to the ownership, construc-
22 tion, operation, maintenance, and use of Units 2 and 3,
23 and which is attached hereto as Exhibit H.

24 4.22 Switchyard Area: The land area covered by
25 the Project Easements and generally used for the Edison
26 Switchyard, the San Diego Switchyard, and the Inter-

1 connection Facilities as more fully described in
2 Exhibit C and shown in Exhibit A, both attached hereto.

3 4.23 Unit 1: The first nuclear generating unit
4 at San Onofre currently rated at approximately 436
5 megawatts (net) of electric power and consisting of a
6 nuclear steam supply system, a turbine-generator, and
7 all related equipment and facilities which are necessary
8 for the safe and efficient generation of electrical
9 energy including the power circuit breakers, transformer
10 side disconnect switches, conductors, structures,
11 foundations, and dead-end assemblies installed in the
12 Switchyard Area and associated with the Unit 1 main
13 transformer leads and reserve auxiliary transformer
14 leads, but excluding the Common Facilities.

15 4.24 Unit 1 Area: The land area covered by
16 the Project Easements and generally used for Unit 1,
17 as more fully described in Exhibit D and shown in
18 Exhibit A, both attached hereto.

19 4.25 Unit 1 Off-Shore Land: That portion of the
20 Unit 1 Area designated as Parcel 2 in Exhibit A and
21 Exhibit D, both attached hereto.

22 4.26 Unit 1 Operating Agreement: The Amended
23 San Onofre Operating Agreement between Edison and
24 San Diego, dated July 30, 1970, as amended by Amendment
25 No. 1 to Amended San Onofre Operating Agreement dated
26 August 30, 1971, and attached hereto as Exhibit I.

1 4.27 Unit 2: The second nuclear generating
2 unit at San Onofre designed to generate approximately
3 1,100 megawatts (net) of electric power and consisting
4 of a nuclear steam supply system, a turbine-generator
5 and all related equipment and facilities which are
6 necessary for the safe and efficient generation of
7 electrical energy, including the power circuit breakers,
8 transformer side disconnect switches, conductors,
9 structures, foundations, and dead-end assemblies installed
10 in the Switchyard Area and associated with the Unit 2
11 main transformer leads and reserve auxiliary transformer
12 leads, and that equipment necessary to connect Unit 2
13 with those facilities existing as part of Unit 1 and
14 those facilities that will be part of Unit 3, installed
15 on the Plant Site, but excluding the Common Facilities.

16 4.28 Unit 3: The third nuclear generating unit
17 at San Onofre designed to generate approximately 1,100
18 megawatts (net) of electric power and consisting of a
19 nuclear steam supply system, a turbine-generator and all
20 related equipment and facilities which are necessary
21 for the safe and efficient generation of electrical
22 energy, including the power circuit breakers, transformer
23 side disconnect switches, conductors, structures,
24 foundations, and dead-end assemblies installed in the
25 Switchyard Area and associated with the Unit 3 main
26 transformer leads and reserve auxiliary transformer

1 leads, and that equipment necessary to connect Unit 3
2 with those facilities that will be part of Unit 2,
3 installed on the Plant Site, but excluding the Common
4 Facilities.

5 4.29 Units 2 and 3 Area: The land area
6 covered by the Project Easements and generally
7 used for Units 2 and 3, as more fully described in
8 Exhibit E and shown in Exhibit A, both attached hereto.

9 4.30 Units 2 and 3 Off-Shore Land: That portion of
10 the Units 2 and 3 Area designated as Parcel 2 in Exhibit A
11 and Exhibit E, both attached hereto.

12 4.31 Uranium Requirements: The most current
13 projection by calendar year of the quantity of natural
14 uranium U308 concentrates necessary for the refueling
15 of Unit 2 and Unit 3 for the remaining operating life
16 of the unit as developed by the Project Director (or
17 Operating Agent) and updated on an annual basis.

18 5. OWNERSHIP: Upon execution of this Participation Agreement:

19 5.1 Edison, San Diego, Riverside, and Anaheim
20 shall own Units 2 and 3 as tenants-in-common in pro-
21 portion to their respective Generation Entitlement
22 Shares.

23 5.2 Edison, San Diego, Riverside, and Anaheim
24 shall own the Common Facilities as tenants-in-common
25 as follows:

26 5.2.1 Edison shall own an undivided 77.12

1 percent interest therein;

2 5.2.2 San Diego shall own an undivided 20.00
3 percent interest therein;

4 5.2.3 Riverside shall own an undivided 1.49
5 percent interest therein; and

6 5.2.4 Anaheim shall own an undivided 1.39
7 percent interest therein.

8 5.3 Edison, San Diego, Riverside, and Anaheim
9 shall have the following interests in the Project
10 Easements:

11 5.3.1 Edison shall have the following
12 undivided co-tenancy interests therein:

13 5.3.1.1 Unit 1 Area - 80.00%

14 5.3.1.2 Units 2 and 3 Area - 76.55%

15 5.3.1.3 Common Facilities Area - 77.12%

16 5.3.1.4 Switchyard Area - 80.00%

17 5.3.2 San Diego shall have the following
18 undivided co-tenancy interests therein:

19 5.3.2.1 Unit 1 Area - 20.00%

20 5.3.2.2 Units 2 and 3 Area - 20.00%

21 5.3.2.3 Common Facilities Area - 20.00%

22 5.3.2.4 Switchyard Area - 20.00%

23 5.3.3 Riverside shall have the following
24 undivided co-tenancy interests therein:

25 5.3.3.1 Unit 1 Area - 0.00%

26 5.3.3.2 Units 2 and 3 Area - 1.79%

1 5.3.3.3 Common Facilities Area - 1.49%

2 5.3.3.4 Switchyard Area - 0.00%

3 5.3.4 Anaheim shall have the following
4 undivided co-tenancy interests therein:

5 5.3.4.1 Unit 1 Area - 0.00%

6 5.3.4.2 Units 2 and 3 Area - 1.66%

7 5.3.4.3 Common Facilities Area - 1.39%

8 5.3.4.4 Switchyard Area - 0.00%

9 Where necessary, facilities associated with and
10 incidental to a specific portion of San Onofre may be
11 installed on or over any portion of the Plant Site.

12 6. TRANSFER OF RIGHTS AND OBLIGATIONS:

13 6.1 Edison hereby sells and Riverside and Anaheim
14 each hereby purchase the respective ownership interest
15 of Riverside and Anaheim in that portion of Units 2
16 and 3 for which Edison has paid as of the date of
17 execution of this Participation Agreement.

18 6.2 Edison hereby sells and Riverside and Anaheim
19 each hereby purchase the respective ownership interest
20 of Riverside and Anaheim in that portion of the Common
21 Facilities for which Edison has paid as of the date of
22 execution of this Participation Agreement.

23 6.3 Upon receipt of payment pursuant to
24 Section 8.5, Edison shall assign to Riverside and
25 Anaheim their respective interests in the Project
26 Easements. Edison shall make initial contacts

1 with the necessary persons and agencies concerning
2 assignment of the Project Easements, after
3 which Edison and San Diego shall assist and
4 cooperate with Riverside and Anaheim in effecting
5 such assignments; however, Riverside and Anaheim
6 shall have primary responsibility for drafting
7 and for taking other appropriate actions to
8 effect said assignments. Assignment of the
9 Project Easements shall in no way affect
10 Edison's and San Diego's rights to install
11 Additional Generating Units or other
12 facilities in the Switchyard Areas, the Unit 1
13 Area, the Common Facilities Area, and any areas
14 available for future use, in which Riverside and
15 Anaheim shall be neither granted nor denied
16 an ownership interest by reason of any provision
17 of this Participation Agreement.

18 6.4 Edison hereby assigns to Riverside an
19 undivided 1.79 percent interest and to Anaheim an
20 undivided 1.66 percent interest in the Construction
21 Agreement as it pertains to Units 2 and 3. Edison
22 hereby assigns to Riverside an undivided 1.49 percent
23 interest and to Anaheim an undivided 1.39 percent
24 interest in the Construction Agreement as it
25 pertains to Common Facilities. Riverside and
26 Anaheim hereby acquire all rights and assume all

1 duties and obligations of a "Company" under the
2 Construction Agreement applicable to their undivided
3 interests therein. The Construction Agreement shall
4 be amended to provide for Riverside's and Anaheim's
5 acquisition of a portion of Edison's rights and
6 obligations under the Construction Agreement. Except
7 as mutually agreed or except as provided by this
8 Participation Agreement, no significant departures
9 shall be made from the arrangements previously agreed
10 to by Edison and San Diego and set forth in the
11 Construction Agreement. Edison shall remain the
12 Project Director. Edison and San Diego shall cooperate
13 with Riverside and Anaheim in amending the Construction
14 Agreement; however, Riverside and Anaheim shall have
15 primary responsibility for drafting contract language
16 and for performing other work necessary to amend the
17 Construction Agreement.

18 6.5 Edison, San Diego, Riverside, and
19 Anaheim shall own Units 2 and 3 and the Common
20 Facilities under obligations, terms and conditions
21 no less favorable than those set forth in the
22 Ownership Agreement, as supplemented by the San Onofre
23 Units 2 and 3 Letter Agreement, and those set forth
24 herein. The Ownership Agreement shall be amended, and
25 executed by the Parties, to provide for Riverside's
26 and Anaheim's ownership interests as set forth in this

1 Participation Agreement. Except as mutually agreed
2 or except as provided by this Participation
3 Agreement, no significant departures shall be
4 made from the arrangements previously agreed
5 to by Edison and San Diego and set forth in
6 the Ownership Agreement as supplemented by the San
7 Onofre Units 2 and 3 Letter Agreement. Edison
8 and San Diego shall cooperate with Riverside
9 and Anaheim in amending the Ownership Agreement;
10 however, Riverside and Anaheim shall have primary
11 responsibility for drafting contract language and
12 for performing other work necessary to amend the
13 Ownership Agreement. The following facts shall
14 be recognized by and incorporated in the amendment
15 to the Ownership Agreement:

16 6.5.1 Significant changes have occurred
17 in the description and location of certain facilities;

18 6.5.2 Unless agreed otherwise, Riverside
19 and Anaheim shall have no ownership interest, cost
20 responsibility, rights or obligations in Unit 1, the
21 San Diego Switchyard, the Edison Switchyard, nor the
22 Interconnection Facilities under this Participation
23 Agreement;

24 6.5.3 The definitions of the San Diego
25 Switchyard, Edison Switchyard, Interconnection
26 Facilities, Unit 1, Unit 2, Unit 3, Additional

1 Generating Unit, Plant Site, and San Onofre Nuclear
2 Generating Station shall be amended to coincide with
3 the definitions contained in this Participation
4 Agreement; and

5 6.5.4 The Parties each reserve any rights which
6 they may have either by contract or by law, to participate
7 in any Additional Generating Unit; provided, however, that
8 Riverside and Anaheim shall be neither granted nor denied
9 participation rights by reason of any provision of this
10 Participation Agreement.

11 6.6 Edison, San Diego, Riverside, and Anaheim
12 shall negotiate in good faith and execute an operating
13 agreement covering the operation and maintenance of
14 Units 2 and 3. Except as mutually agreed or except as
15 provided by this Participation Agreement, said operat-
16 ing agreement shall provide for the operation and
17 maintenance of Units 2 and 3 in substantially the same
18 manner and under substantially the same terms and
19 conditions as the Unit 1 Operating Agreement provides
20 for Unit 1 as supplemented by the San Onofre Units 2
21 and 3 Letter Agreement. Edison shall be the Operating
22 Agent for Units 2 and 3. The Parties hereby appoint the
23 Operating Agent as their agent, and the Operating Agent
24 shall undertake as their agent and as principal on
25 its own behalf, to carry out the duties and responsi-
26 bilities provided hereunder to be performed by it.

1 6.7 Edison has or will install communication
2 facilities at locations other than San Onofre which
3 are required in the performance of its duties as
4 Operating Agent. Edison, San Diego, Riverside, and
5 Anaheim shall negotiate in good faith and execute an
6 off-site communication facilities agreement providing
7 for the allocation of costs associated with the
8 off-site communication facilities owned by the
9 Operating Agent and required in the performance of
10 San Onofre operation and maintenance functions.

11 6.8 Edison, San Diego, Riverside, and Anaheim
12 shall cooperate in identifying and in amending or
13 assigning where necessary the permits, licenses and
14 material, equipment and service suppliers' agreements
15 held in connection with Units 2 and 3; however, Riverside
16 and Anaheim shall have primary responsibility for
17 drafting and for taking other appropriate actions to
18 effect such amendments and assignments of permits and
19 licenses. Edison shall have primary responsibility for
20 drafting and for taking other appropriate actions to
21 effect such amendments and assignments of material,
22 equipment and service suppliers' agreements. A listing
23 of said permits, licenses, and material, equipment and
24 service suppliers' agreements identified to date is
25 attached hereto as Exhibit J.

26 6.9 Except as provided otherwise herein, Edison

1 and San Diego agree, upon request of Riverside or Anaheim,
2 to make, execute or deliver, as may be reasonably
3 required, any and all documents needed to implement or
4 effectuate the transfer of rights and obligations
5 provided for in this Participation Agreement.

6 6.10 Anaheim and Riverside each shall be entitled
7 to their proportionate share of the benefits of, and
8 shall each be bound by and pay their proportionate share
9 of all costs and liabilities incurred by Edison in the
10 performance of its duties under, all material, equipment
11 and service suppliers' agreements entered into by
12 Edison or Edison and San Diego for the construction,
13 operation and maintenance of Units 2 and 3 and the
14 Common Facilities. Said benefits, costs and liabilities
15 shall enure to or become the responsibility of
16 Anaheim and Riverside in their respective proportionate
17 shares regardless of whether Anaheim and Riverside or
18 either of them have become parties to such agreements.

19 7. COST RESPONSIBILITIES:

20 7.1 Riverside and Anaheim shall reimburse Edison
21 for all recorded costs and expenses (including ad valorem
22 taxes incurred by Edison and prorated as of November 1,
23 1977, Construction Costs including costs of the Units 2
24 and 3 Off-Shore Land, Edison's allowance for funds used
25 during construction, and administrative and general
26 expenses) expended on or prior to the date hereof by

1 Edison on its own behalf in connection with Units 2
2 and 3 as follows:

3 7.1.1 Riverside shall reimburse Edison for
4 2.2375 percent of such costs and expenses; and

5 7.1.2 Anaheim shall reimburse Edison for
6 2.0750 percent of such costs and expenses.

7 7.2 Riverside and Anaheim shall reimburse Edison
8 for the reproduction costs new (including applicable
9 overheads, allowance for funds used during construction,
10 and administrative and general expenses) less depre-
11 ciation of Common Facilities paid for by Edison and San
12 Diego on or prior to the date hereof as follows:

13 7.2.1 The total amount of the reproduction
14 cost new less depreciation of such Common Facilities
15 as of the date hereof shall be deemed to be
16 \$8,600,000.00;

17 7.2.2 Riverside shall reimburse Edison for
18 1.49 percent of such total amount; and

19 7.2.3 Anaheim shall reimburse Edison for
20 1.39 percent of such total amount.

21 7.3 Construction Costs associated with Units 2
22 and 3 incurred subsequent to the date hereof shall be
23 borne by the Parties as follows:

24 7.3.1 Edison shall bear 76.55 percent of
25 such costs;

26 7.3.2 San Diego shall bear 20.00 percent

1 of such costs;

2 7.3.3 Riverside shall bear 1.79 percent of
3 such costs; and

4 7.3.4 Anaheim shall bear 1.66 percent of
5 such costs.

6 7.4 Construction Costs associated with Common
7 Facilities incurred subsequent to the date hereof
8 shall be borne by the Parties as follows:

9 7.4.1 Edison shall bear 77.12 percent of
10 such costs;

11 7.4.2 San Diego shall bear 20.00 percent
12 of such costs;

13 7.4.3 Riverside shall bear 1.49 percent
14 of such costs; and

15 7.4.4 Anaheim shall bear 1.39 percent of
16 such costs.

17 7.5 Costs of all Project Easements, except for the
18 Plant Site easement, the Unit 1 Off-Shore Land easement-
19 lease, and the Units 2 and 3 Off-Shore Land easement-
20 lease, incurred subsequent to the date hereof shall be
21 borne by the Parties as follows:

22 7.5.1 Edison shall bear 77.12 percent of
23 such costs;

24 7.5.2 San Diego shall bear 20.00 percent of
25 such costs;

26 7.5.3 Riverside shall bear 1.49 percent of

1 such costs; and

2 7.5.4 Anaheim shall bear 1.39 percent of
3 such costs.

4 7.6 Costs of the Plant Site easement incurred
5 subsequent to the date hereof shall be borne by the
6 Parties as follows:

7 7.6.1 Edison shall bear 77.8915 percent of
8 such costs;

9 7.6.2 San Diego shall bear 20.0000 percent of
10 such costs;

11 7.6.3 Riverside shall bear 1.0921 percent
12 of such costs; and

13 7.6.4 Anaheim shall bear 1.0164 percent of
14 such costs.

15 7.7 Costs of the Units 2 and 3 Off-Shore Land
16 easement-lease incurred subsequent to the date hereof
17 shall be borne by the Parties as follows:

18 7.7.1 Edison shall bear 76.55 percent of
19 such costs;

20 7.7.2 San Diego shall bear 20.00 percent of
21 such costs;

22 7.7.3 Riverside shall bear 1.79 percent of
23 such costs; and

24 7.7.4 Anaheim shall bear 1.66 percent of
25 such costs.

26 7.8 Costs of the Unit 1 Off-Shore Land easement-lease

1 incurred subsequent to the date hereof shall be borne
2 by the Parties as follows:

3 7.8.1 Edison shall bear 80.00 percent of
4 such costs;

5 7.8.2 San Diego shall bear 20.00 percent of
6 such costs;

7 7.8.3 Riverside shall bear 0.00 percent of
8 such costs; and

9 7.8.4 Anaheim shall bear 0.00 percent of
10 such costs.

11 7.9 If, pursuant to Section 5.3, facilities
12 associated with and incidental to a specific portion
13 of San Onofre are installed on or over any portion of
14 the Plant Site not designated for such use and if
15 the Coordinating Committee established under the
16 Construction Agreement or the Board of Review to be
17 established under the operating agreement for Units 2 & 3
18 determines that such installation significantly alters the
19 benefits derived from the Project Easements by each of the
20 Parties, the Parties shall amend Sections 7.5, 7.6, 7.7
21 and 7.8, hereof, or the definitive agreement which
22 supersedes such Sections.

23 7.10 Riverside and Anaheim shall reimburse
24 Edison for the acquisition, rental, and developmental
25 expenses incurred by Edison on its own and San Diego's
26 behalf in connection with San Onofre land rights

1 (other than the Units 2 and 3 Off-Shore Land rights,
2 the cost of which shall be considered a Construction
3 Cost under Section 7.1, hereof) as follows:

4 7.10.1 The amount of such expenses is
5 deemed to be \$1,366,300.00;

6 7.10.2 Riverside shall reimburse Edison
7 for 1.1651 percent of such amount; and

8 7.10.3 Anaheim shall reimburse Edison for
9 1.0836 percent of such amount.

10 7.11 Except for costs incurred in negotiating
11 and preparing this Participation Agreement and the
12 definitive Project Agreements among Edison, San Diego,
13 Riverside, and Anaheim, Riverside and Anaheim shall
14 reimburse Edison and San Diego for all costs incurred
15 by each of them to effect Riverside's and Anaheim's
16 participation in Units 2 and 3 as follows:

17 7.11.1 Riverside shall reimburse Edison and
18 San Diego for 50 percent of such costs; and

19 7.11.2 Anaheim shall reimburse Edison and
20 San Diego for 50 percent of such costs.

21 7.12 Except as mutually agreed or except as
22 provided by Section 11 hereof, operation and maintenance
23 costs and expenses shall be borne by the Parties in
24 proportion to their respective ownership interests in
25 the facility for which such costs and expenses are
26 incurred.

1 8. BILLING AND PAYMENT:

2 8.1 Edison shall submit to each of Riverside
3 and Anaheim, upon or subsequent to execution of this
4 Participation Agreement, an invoice for the amount of
5 those costs and expenses covered by Section 7.1.
6 Riverside and Anaheim shall pay the invoice amount to
7 Edison within fifteen (15) days after receipt of
8 such invoice.

9 8.2 Edison shall bill, and Riverside and Anaheim
10 shall pay, those costs covered by Sections 7.3 and 7.4
11 in the manner presently used between Edison and San
12 Diego and set forth in Sections 6.7 and 6.9 of the
13 Construction Agreement.

14 8.3 Until such time as the Project Easements are
15 assigned pursuant to Section 6.3 and arrangements are
16 made to provide for direct payment by Riverside and
17 Anaheim to the agencies issuing easements and until
18 such time as all assessments and taxes for which
19 Riverside and Anaheim are responsible pursuant to
20 Section 12.1 are assessed and levied directly against
21 Riverside and Anaheim, Edison shall bill Riverside and
22 Anaheim for their proportionate share of costs covered
23 by Sections 7.5, 7.6, 7.7, and 12.1. Such billing shall
24 be made on or before 20 days prior to the date said cost,
25 assessment or tax becomes due to the issuing agency
26 or taxing authority. Riverside and Anaheim shall

1 pay to Edison the amount specified by such billing
2 prior to the date said cost becomes due to the
3 issuing agency or taxing authority.

4 8.4 Riverside and Anaheim shall pay to Edison
5 the amounts set forth in Section 7.2 and Section 7.10
6 within ten days after execution of this Participation
7 Agreement.

8 8.5 Edison and San Diego shall submit to River-
9 side and Anaheim, no more frequently than monthly,
10 invoices for the amount of costs covered by Section 7.11.
11 Riverside and Anaheim shall pay the invoiced amount to
12 Edison and San Diego within fifteen (15) days after
13 receipt of such invoice.

14 8.6 Edison shall bill, and Riverside and Anaheim
15 shall pay, all operation and maintenance costs in the
16 manner to be set forth in the operating agreement
17 executed pursuant to Section 6.6, hereof.

18 8.7 Payments not made to Edison and/or San Diego
19 by Riverside and Anaheim on or before the due date
20 shall be payable with interest accrued at the rate of
21 ten percent (10%) per annum or the maximum legal rate
22 of interest, whichever is less, computed from the due
23 date to the date payment is received by Edison and/or
24 San Diego.

25 9. ADMINISTRATION:

26 9.1 As a means of securing effective cooperation

1 and interchange of information, Riverside and Anaheim
2 shall, within ten days after the execution of this
3 Participation Agreement, designate representatives in
4 accordance with Section 7 of the Construction
5 Agreement.

6 9.2 The representatives of Riverside and Anaheim
7 appointed pursuant to Section 9.1 shall have the rights
8 and obligations set forth in Section 7 of the
9 Construction Agreement; provided, however, that the
10 representation of Riverside and Anaheim shall not be
11 effective until such time as Riverside and Anaheim
12 begin paying funds pursuant to Section 8.

13 10. LIABILITY AND INSURANCE:

14 10.1 This Participation Agreement shall be
15 deemed to be a "Project Agreement" under the
16 Construction Agreement and the provisions of Section 8,
17 Project Insurance, and Section 9, Liability, of the
18 Construction Agreement shall apply except as follows:

19 10.1.1 The term "Company" or "Companies,"
20 when used in Sections 4.33, 8 and 9 of the Construction
21 Agreement, shall include Edison, San Diego, Riverside,
22 and Anaheim.

23 10.1.2 The percentages to be paid or shared
24 as set forth in Sections 9.5 and 9.7 of the Construction
25 Agreement shall be changed to the following:

26 10.1.2.1 Edison - 76.55%;

1 10.1.2.2 San Diego - 20.00%;

2 10.1.2.3 Riverside - 1.79%; and

3 10.1.2.4 Anaheim - 1.66%.

4 10.2 Riverside and Anaheim shall be added as
5 named insureds on those policies of insurance presently
6 in effect pursuant to Sections 8.1.1 and 8.3.1 of the
7 Construction Agreement.

8 10.3 Riverside and Anaheim shall each make
9 application to Nuclear Mutual, Ltd., to become member
10 insureds under the policies of insurance presently in
11 effect for San Onofre Units 2 and 3 for (i) all risk-
12 builders' risk insurance covering loss or damage to
13 project work under course of construction and (ii)
14 nuclear property damage insurance.

15 10.3.1 If such application is accepted,
16 Riverside and Anaheim shall, through the Project
17 Director (or Operating Agent), obtain and maintain said
18 insurance coverage in effect during their participation
19 in the ownership of San Onofre Units 2 and 3.

20 10.3.2 If such application is not accepted,
21 Riverside and Anaheim shall each for itself secure and
22 maintain in effect said insurance coverage from the
23 Nuclear Energy Liability-Property Insurance Association
24 and the Mutual Atomic Energy Reinsurance Pool or their
25 equivalent.

26 10.4 Riverside and Anaheim hereby release

1 Edison and San Diego from any and all liability to Riverside
2 and Anaheim or either of them resulting from damage to or
3 loss or use of Units 2 and 3 which is caused by or is a
4 result of the construction, operation or maintenance of
5 Unit 1, the Edison Switchyard, the San Diego Switchyard, the
6 Interconnection Facilities, or any Additional Generating
7 Units. Edison and San Diego hereby release Riverside and
8 Anaheim from any and all liability to Edison and San Diego
9 or either of them resulting from damage to or loss of use of
10 Unit 1, which is caused by or is the result of the construc-
11 tion, operation or maintenance of Units 2 or 3, or any
12 Additional Generating Units. Except as otherwise provided
13 in Section 9.3 of the Construction Agreement, the terms of
14 this Section 10.4 are not applicable where a Party has com-
15 mitted Willful Action as defined in Section 4.33 of the
16 Construction Agreement.

17 11. NUCLEAR FUEL:

18 11.1 Supply of Nuclear Fuel: Except as provided in
19 Section 11.3, the Project Director (or Operating Agent)
20 shall make all arrangements for the supply of Nuclear Fuel
21 consistent with the Nuclear Fuel Budget most recently
22 adopted by the Coordinating Representatives. In doing so,
23 the Project Director (or Operating Agent), acting as princi-
24 pal on its own behalf and as agent for the other Parties
25 shall negotiate, execute, administer, perform and enforce
26 Nuclear Fuel Agreements as it deems necessary or appropriate.

1 All proposed Nuclear Fuel Agreements shall be submitted to
2 the Coordinating Representatives (or other representatives
3 established by the operating agreement for Unit 2 and Unit
4 3) for approval, or for the purpose of informing the Coordi-
5 nating Representatives if their approval is not required,
6 prior to execution; provided, that any Nuclear Fuel Agree-
7 ment may be executed by the Project Director (or Operating
8 Agent) without its being submitted to the Coordinating
9 Representatives so long as obligations of the Parties pur-
10 suant to such Nuclear Fuel Agreement are within and consis-
11 tent with the nuclear fuel budget most recently adopted by
12 the Coordinating Representatives (or other representatives
13 established by the operating agreement for Unit 2 and Unit
14 3). The Project Director (or Operating Agent) shall prompt-
15 ly furnish each Party with copies of all Nuclear Fuel Agree-
16 ments executed as agent for such Party. If the Coordinating
17 Representatives (or other representatives established by the
18 operating agreement for Unit 2 and Unit 3) are unable or
19 fail to reach unanimous approval of a Nuclear Fuel Agreement,
20 any Party may call for submission of the matter to arbitra-
21 tion in accordance with Section 12.1 of the Construction
22 Agreement (or such other section as may be provided in the
23 operating agreement for Unit 2 and Unit 3). Pending the
24 final decision of the arbitrator, the Project Director (or
25 Operating Agent) is authorized and obligated to take such
26 action with respect to the supply of Nuclear Fuel as in its

1 discretion is necessary.

2 11.2 Costs and Financing of Nuclear Fuel: Except as
3 provided in Section 11.3 and 11.4, all costs incurred by the
4 Project Director (or Operating Agent) in connection with the
5 Nuclear Fuel shall be shared by each Party in propor-
6 tion to its Generation Entitlement Share. The costs of
7 Nuclear Fuel shall include: (i) all costs incurred and pay-
8 ments made by the Project Director (or Operating Agent) pur-
9 suant to any Nuclear Fuel Agreement; and (ii) all other costs
10 and expenses not a part of a Nuclear Fuel Agreement incurred
11 by the Project Director (or Operating Agent) in connection
12 with: (a) the receiving, storing, and handling of fuel as-
13 sembles at the Plant Site; (b) the shipment of fuel assem-
14 blies from the Plant Site; and (c) the acquisition, engineer-
15 ing, and fuel management of Nuclear Fuel. Each Party shall
16 own an undivided interest in all Nuclear Fuel equal to its
17 Generation Entitlement Share, and may determine its own
18 method of financing its share of costs and expenses associ-
19 ated with such interest, provided that no Party shall enter
20 into any arrangement which imposes any obligation upon any
21 other Party or restricts or limits the rights of the other
22 Parties to finance the costs associated with their respec-
23 tive undivided interests. A Party may sell or assign all or
24 part of its interest in Nuclear Fuel to any person or entity
25 ("Fuel Lessor") for leaseback to such Party subject to the
26 conditions that: (i) the Fuel Lessor shall waive irrevocably

1 all right to partition of such Nuclear Fuel; (ii) such Party
2 shall indemnify all other Parties against any costs or ex-
3 penses incurred by them because of such Party's sale and
4 leaseback of its interest in Nuclear Fuel.

5 11.3 Special Provisions Regarding the Supply and
6 Cost of Uranium Concentrates:

7 11.3.1 Any Party may elect to provide
8 directly all or a portion of its share of natural
9 uranium U308 concentrates not covered by an existing
10 Nuclear Fuel Agreement entered into in accordance with
11 Section 11.1; provided, however, that the maximum quantity
12 so supplied by a Party shall be no greater than the
13 product of its Generation Entitlement Share and the
14 Uranium Requirements and that the minimum quantity so
15 supplied by a Party in any single delivery shall be not
16 less than the minimum quantity specified in Nuclear Fuel
17 Agreement(s) for conversion services (currently 20,000 lbs.
18 U308 Net).

19 11.3.2 An election by any Party to provide
20 natural uranium U308 concentrates shall, in each
21 instance, be communicated to the Project Director (or
22 Operating Agent) sufficiently in advance so as not to
23 interfere in any way with the Project Director's (or
24 Operating Agent's) performance of its responsibilities
25 under Section 11.1, and such an election shall not be
26 allowed when submitted after the Project Director (or

1 Operating Agent) has begun, pursuant to an authorized
2 nuclear fuel budget, to arrange for the supply of such
3 natural uranium U308 concentrates.

4 11.3.3 Once the Project Director (or
5 Operating Agent) has acknowledged a Party's election to
6 provide natural uranium U308 concentrates, such Party
7 shall be responsible for providing and delivering such
8 natural uranium U308 concentrates, and shall extend its
9 best efforts to fulfill such responsibility.

10 11.3.4 If, subsequent to any Party's
11 election to supply natural uranium U308 concentrates
12 pursuant to Sections 11.3.1 and 11.3.2, the Uranium
13 Requirements for Unit 2 or Unit 3 change due to fuel
14 management decisions by the Project Director (or
15 Operating Agent), operating circumstances, decisions,
16 or consequences, government enrichment policies, or the
17 availability of recycle uranium and/or plutonium, then
18 such Party shall be responsible for supplying a pro-
19 portionate amount of any increased Uranium Requirements,
20 or inventorying a proportionate amount of any decreased
21 Uranium Requirements.

22 11.3.5 Where a Party chooses to provide its
23 own natural uranium U308 concentrates, it shall bear
24 the costs of such, and such costs shall not be included
25 in the costs to be shared pursuant to Section 11.2. With
26 respect to the Parties not choosing to provide their own

1 natural uranium U308 concentrates, the Project Director
2 (or Operating Agent) shall provide such uranium concentrates
3 as part of the supply of Nuclear Fuel, and the cost of
4 providing such shall be shared by such Parties in
5 proportion to their Generation Entitlement Shares.

6 11.4 Evidence of Supply of Uranium Concentrates:

7 It is recognized that failure of any Party to fulfill
8 the responsibilities provided in Sections 11.1 or 11.3 could
9 delay the availability of fuel and thus impair operation
10 of Unit 2 or Unit 3. Accordingly, the following pro-
11 visions are adopted to assure the timely and dependable
12 availability of all natural uranium U308 concentrates
13 required for Unit 2 and Unit 3:

14 11.4.1 One year prior to each date on which
15 natural uranium U308 concentrates are scheduled by the
16 Project Director (or Operating Agent) to be delivered
17 for conversion, the Project Director (or Operating
18 Agent) shall notify all Parties of the quantity and speci-
19 fications of natural uranium U308 concentrates required,
20 the date on which delivery is required, and the place at
21 which delivery is required to be made and the quantity
22 which each Party has a responsibility to deliver. Within
23 one month of such notification, each Party shall provide
24 the Project Director (or Operating Agent) and the Coordinat-
25 ing Representatives with evidence that the Party has firm
26 commitments for providing the required quantity and quality

1 of natural uranium U308 concentrates on or before the
2 specified delivery dates.

3 11.4.2 If the Project Director (or Operating
4 Agent) reasonably concludes that any such Party
5 ("deficient Party") has not provided satisfactory
6 evidence as required by Section 11.4.1, the Project
7 Director (or Operating Agent) shall proceed to acquire
8 and arrange for the delivery of the quantity of such
9 uranium concentrates required to be provided by the
10 deficient Party; the actual costs of acquiring such
11 natural uranium U308 concentrates shall be billed to
12 the deficient Party as incurred (or invoiced) and paid
13 within five days after receipt of each such bill (or,
14 where an invoice instead of a bill is provided to the
15 deficient Party, within the time provided by the invoice).
16 The Project Director (or Operating Agent) shall make a
17 reasonable effort to acquire such natural uranium U308
18 concentrates on terms which are reasonable in the
19 commercial context which exists at the time of the
20 acquisition; however, neither the Project Director (or
21 Operating Agent) nor any Party shall have any obligation
22 to supply such material from its own inventories of or
23 rights to natural uranium U308 concentrates or to afford
24 the deficient Party access to the benefits of any
25 favorable business opportunities available to the
26 Project Director (or Operating Agent) or any other Party;

1 and, provided further that no Party shall incur any
2 liability to any other Party as a result of carrying out
3 the provisions of this Section 11.4 except as provided
4 herein.

5 11.4.3 If at any time after the provisions
6 of Section 11.4.1 have been complied with, the Project
7 Director (or Operating Agent) reasonably concludes that
8 a Party's ability to provide natural uranium U308
9 concentrates specified in a notice pursuant to Section
10 11.4.1 is in doubt, the Project Director (or Operating
11 Agent) shall so notify the deficient Party. If within
12 15 days after receipt of such notice the deficient Party
13 has not provided reasonable assurance of its ability to
14 provide such natural uranium U308 concentrates, the
15 Project Director (or Operating Agent) may implement the
16 provisions of Section 11.4.2. If a Party actually fails
17 to make a delivery required by a notice pursuant to
18 Section 11.4.1, the Project Director (or Operating
19 Agent) may, upon 24 hours notice to such Party, and at
20 the deficient Party's sole cost, acquire and arrange for
21 delivery of such natural uranium U308 concentrates on
22 any terms which may be immediately available.

23 11.4.4 If the Project Director (or Operating
24 Agent) is unable to acquire and arrange for delivery of
25 natural uranium U308 concentrates to cover a deficient
26 Party's commitment, and as a result the available cycle

1 energy in the succeeding cycle is less than it would have been had
2 there been a full supply of natural uranium U308 concentrates, then the
3 deficient Party shall be subjected to an appropriate reduction in its
4 entitlement to the Net Energy Generation during such cycle.

5 11.4.5 With respect to Sections 11.4.2, 11.4.3, and 11.4.4;
6 if the Coordinating Representatives reasonably conclude that the
7 ability of the Project Director (or Operating Agent) acting as princi-
8 pal on its own behalf to provide natural uranium concentrates which it
9 is obligated to provide is in doubt, then the determinations and
10 actions assigned to the Project Director (or Operating Agent) by
11 those sections shall be assumed by the Coordinating Representatives.
12 In this case the representative of the Project Director
13 (or Operating Agent) shall not be entitled to vote on
14 the determinations, approvals or actions under
15 consideration.

16 11.5 Advancement of Funds for Nuclear Fuel:

17 Except as provided in Section 11.3 and 11.4, each Party
18 shall pay to the Project Director (or Operating Agent)
19 its proportionate share of the total amount due for the
20 purchase of Nuclear Fuel for Unit 2 and Unit 3 in advance
21 of the dates on which payments therefor by the Project
22 Director (or Operating Agent) become due under any Nuclear
23 Fuel Agreement. The operating agreement for Unit 2 and
24 Unit 3 shall include detailed procedures for the payment
25 of Nuclear Fuel related costs, including procedures for the
26 allocation of costs of Nuclear Fuel where electric energy

1 delivered to the account of one or more Parties differs from the
2 respective Generation Entitlement Shares.

3 11.6 Procedures for Control of the Supply of Nuclear Fuel: By
4 January 1, 1978 and on each October 31 thereafter until work related to
5 the supply of Nuclear Fuel has been completed (or until termination
6 of the Ownership Agreement, whichever occurs sooner), the Project
7 Director (or Operating Agent) shall submit to the Coordinating Repre-
8 sentatives (or other representatives established by the operating agree-
9 ment for Unit 2 and Unit 3) for review and approval, modification, or
10 other action a revised nuclear fuel budget effective as of the succeeding
11 January 1 in form and content approved by the Coordinating Representa-
12 tives, divided by calendar quarter for the succeeding two years and by
13 calendar year for at least the third, fourth, and fifth succeeding
14 years (and for such additional succeeding years as the Project Director
15 (or Operating Agent) may, in its discretion, provide).

16 11.7 Information: The Project Director (or Operating Agent) shall
17 keep the parties full and promptly informed as to significant matters
18 involving the supply of Nuclear Fuel.

19 11.8 Additional Matters: The parties recognize
20 that additional matters with respect to the supply of
21 Nuclear Fuel, not provided for in the preceding sections
22 of this Section 11, may require additional agreement
23 between the Parties and agree to negotiate with respect
24 to such additional matters as part of the San Onofre
25 Units 2 and 3 Operating Agreement or as a separate
26 agreement.

1 12. TAXES:

2 12.1 All taxes or assessments levied against each
3 Party's ownership or beneficial interest in San Onofre,
4 excepting those taxes or assessments levied against an
5 individual Party in behalf of any or all of the other
6 Parties, shall be the sole responsibility of the Party upon
7 whose such ownership said taxes or assessments are
8 levied.

9 12.2 The Parties shall use their best efforts to
10 have any taxing authority imposing any assessments,
11 property taxes or other taxes, excluding any
12 sales or use taxes, assess and levy such taxes and
13 assessments directly against the Party responsible
14 for such tax or assessment.

15 12.3 Except as provided in Section 12.4, Riverside
16 shall reimburse Edison or San Diego for any and all taxes
17 which are levied on Edison or San Diego as a result of the
18 transfer to Riverside of a portion of Edison's ownership
19 interests in Unit 2, Unit 3, or the Common Facilities.
20 Except as provided in Section 12.4, Anaheim shall reimburse
21 Edison or San Diego for any and all taxes which are levied
22 on Edison or San Diego as a result of the transfer to
23 Anaheim of a portion of Edison's ownership interests in
24 Unit 2, Unit 3, or the Common Facilities.

25 12.4 Taxes described in Section 12.3 shall not
26 include any tax on capital gains which may result from

1 the transfer to Anaheim and Riverside.

2 13. RELATIONSHIP OF PARTIES:

3 13.1 The covenants, obligations and liabilities
4 of the Parties under this Participation Agreement are
5 intended to be several and not joint or collective,
6 and nothing herein contained shall ever be construed
7 to create an association, joint venture, trust or
8 partnership, or to impose a trust or partnership
9 covenant, obligation or liability on or with regard to
10 any of the Parties. Each Party shall be individually
11 responsible for its own covenants, obligations and
12 liabilities as herein provided. No Party shall be under
13 the control of or shall be deemed to control another
14 Party. No Party shall have a right or power to bind
15 another Party without its express written consent,
16 except as expressly provided in this Participation
17 Agreement.

18 13.2 The Parties hereby elect to be excluded from
19 the application of Subchapter "K" of Chapter 1 of
20 Subtitle "A" of the Internal Revenue Code of 1954 or
21 such portion or portions thereof as may be permitted or
22 authorized by the Secretary of the Treasury or his
23 delegate insofar as such subchapter, or any portion
24 or portions thereof, may be applicable to the Parties
25 under this Participation Agreement.

26 /

1 14. TERMINATION:

2 14.1 Riverside or Anaheim may withdraw from
3 participation in San Onofre and terminate this Partici-
4 pation Agreement if, after using its best efforts, it
5 is unable to obtain any required approval from regula-
6 tory and other authorities. In the event of termination
7 by a Party pursuant to this Section 14.1 and if
8 construction of Units 2 and 3 is not continued by the
9 other Parties, the accumulated Construction Costs and
10 all other costs incurred by the terminating Party in
11 connection with San Onofre prior to the date of
12 termination shall be borne by such terminating Party.
13 If construction of Units 2 and 3 is continued by
14 the other Parties, Edison shall acquire the terminating
15 Party's interest in San Onofre and shall reimburse such
16 terminating Party for its incurred Construction Costs
17 (including its allowance for funds used during
18 construction but excluding those costs covered by
19 Section 7.11 and the terminating Party's own administra-
20 tive and general expenses).

21 14.2 Prior to such time as the Construction
22 Agreement is amended pursuant to Section 6.4,
23 and prior to the initial operation of Unit 2, this
24 Participation Agreement may be terminated in the manner
25 and for the reasons set forth in Section 17 of the Con-
26 struction Agreement.

1 14.3 When Edison believes the obligations of
2 this Participation Agreement have been met, Edison shall
3 serve notice of that fact upon the other Parties. If
4 none of the Parties objects and notifies the other Parties
5 of such objection within 60 days after receipt of such
6 notice, this Participation Agreement shall then
7 terminate.

8 15. ADDITIONAL GENERATING UNITS:

9 15.1 The Parties each reserve any rights which
10 they may have, either by contract or by law, to
11 participate in any Additional Generating Unit; provided,
12 however, that Riverside and Anaheim shall be neither
13 granted nor denied participation rights by reason of
14 any provision of this Participation Agreement.

15 15.2 If Additional Generating Units are construc-
16 ted, interests in the Project Easements shall be
17 reallocated among the participants such that each
18 participant's interest in the land area used for a
19 specific unit or facility is the same as that partici-
20 pant's interest in the unit or facility occupying such
21 land area; cost responsibilities for each Project Ease-
22 ment, including cost responsibilities for past
23 acquisition, rental, and developmental expenses of such
24 easement, shall be reallocated on the basis of each
25 participant's interest in each of the units or
26 facilities occupying such easement and the proportionate

1 land areas occupied by each unit or facility on such
2 easement. Interests in and cost responsibilities for
3 the Common Facilities shall be reallocated among the
4 participants of all the units at San Onofre on the basis
5 of the rated operating capacity of each unit and the
6 reproduction cost new, less depreciation for said
7 Common Facilities.

8 16. UNCONTROLLABLE FORCES: No Party shall be considered
9 to be in breach of any of the obligations hereunder,
10 other than the obligation to pay money, to
11 the extent failure of performance shall be due to an
12 uncontrollable force. The term "uncontrollable force"
13 shall mean any cause beyond the control of a Party
14 unable to perform such obligation, including, but not
15 limited to, failure of facilities, flood, earthquake,
16 storm, fire, lightning, and other natural catastrophies,
17 epidemics, war, riot, civil disturbance, labor dispute,
18 sabotage, government priorities, restraint by court
19 order or public authority, and action or non-action by
20 or inability to obtain the necessary authorizations or
21 approvals from any government agency or authority,
22 which by exercise of reasonable diligence and foresight
23 such Party could not reasonably have been expected to
24 avoid and which by exercise of reasonable diligence it
25 has been unable to overcome. Any Party rendered unable
26 to fulfill any obligation by reason of an uncontrollable

1 force shall exercise due diligence to remove such
2 inability with all reasonable dispatch. Nothing
3 contained herein shall be construed so as to require a
4 Party to settle any strike or labor dispute in which it
5 may be involved.

6 17. NOTICES: All notices under this Participation
7 Agreement shall be in writing and shall be delivered
8 in person or sent by registered or certified mail to
9 the applicable of the following addressees:

10 Southern California Edison Company
11 c/o Secretary
12 P. O. Box 800
13 Rosemead, California 91770

14 San Diego Gas & Electric Company
15 c/o Vice President, Project Management
16 P. O. Box 1831
17 San Diego, California 92112

18 City of Riverside
19 c/o Public Utilities Director
20 3900 Main Street
21 Riverside, California 92522

22 City of Anaheim
23 c/o Utilities Director
24 P. O. Box 3222
25 Anaheim, California 92803

26 By notice sent to the other Parties, any Party may
designate different persons or different addresses for
the giving of notices hereunder.

18. ARBITRATION: If the Parties, acting through their
respective Coordinating Representatives, are unable
to reach agreement with respect to a matter herein
specified to be approved, established, determined, or

1 resolved by agreement of the Parties, any Party may
2 call for submission of such matter or dispute to
3 arbitration in the manner set forth in Section 12 of
4 the Construction Agreement, which call shall be
5 binding upon the other Party or Parties to the dispute.
6 The Project Director shall continue to do all things
7 and make all expenditures necessary pending the final
8 decision of the arbitrator.

9 19. MISCELLANEOUS PROVISIONS:

10 19.1 Edison shall, within twelve (12) months
11 after receipt of payment pursuant to Section 8.1,
12 procure a release of the interests transferred pur-
13 suant to Section 6.1 from the lien of Edison's trust
14 indenture and deliver to Riverside and to Anaheim a
15 bill of sale covering Riverside's and Anaheim's
16 respective ownership interests in such portion of Units
17 2 and 3.

18 19.2 Edison shall, within twelve (12) months
19 after receipt of payment pursuant to Section 8.5,
20 procure a release of the interests transferred pursuant
21 to Section 6.2 from the lien of Edison's trust indenture
22 and deliver to Riverside and to Anaheim a bill of sale
23 covering Riverside's and Anaheim's respective ownership
24 interests in such portion of the Common Facilities.

25 19.3 The Parties agree to negotiate in good faith
26 and to proceed with diligence to complete all necessary

1 definitive agreements pertaining to Units 2 and 3.

2 19.4 Unless mutually agreed or unless provided
3 otherwise herein, no significant departures shall be
4 made from the arrangements between Edison and San Diego
5 for ownership, construction, operation and maintenance
6 of Units 2 and 3 or, where no such arrangements exist
7 for Units 2 and 3, the arrangements under which Edison
8 and San Diego have participated in Unit 1.

9 19.5 Each Party shall be responsible for making
10 arrangements necessary to transmit its entitlement of
11 San Onofre power from San Onofre to its electric system.

12 19.6 Except as provided in Section 6.8,
13 Riverside and Anaheim each shall be responsible for
14 obtaining, at its own expense, its required
15 authorizations and approvals, if any, relating to its
16 participation in the construction or reconstruction
17 and operation of San Onofre and to its performance
18 of the provisions of this Participation Agreement,
19 from federal, state, or local regulatory authorities
20 having jurisdiction to issue such authorizations and
21 approvals, and shall keep the Project Director and
22 Operating Agent informed of its applications therefor.

23 19.7 The Parties do not intend to dedicate and
24 nothing in this Participation Agreement shall be con-
25 strued as constituting a dedication by any Party of
26 its properties or facilities, or any part thereof, to

1 any other Party or to the customers of any Party.

2 19.8 For itself and its successors and assigns,
3 Edison, San Diego, Riverside and Anaheim, each, until
4 expiration or termination of the Ownership Agreement
5 as it may be amended from time to time, waives the
6 right to seek partition of San Onofre and the Project
7 Easements (whether by partitionment in kind or by sale
8 and division of the proceeds thereof). Edison, San Diego,
9 Riverside and Anaheim, each further agrees that it will
10 not resort to any action at law or in equity to partition
11 the same (in either such manner) and to that extent
12 waives the benefits of all laws that may now or hereafter
13 authorize such partition.

14 19.9 If a Party desires to assign to another
15 Party any or all of its interest in Unit 2 or Unit 3,
16 the provisions of Section 8 of the
17 Ownership Agreement shall not apply. If a Party desires
18 to assign to an entity other than another Party any or
19 all of its interest in Unit 2 or Unit 3, the other
20 Parties each shall have the right of first refusal, as
21 provided by the Ownership Agreement, to purchase such
22 interest in proportion to the respective Generation
23 Entitlement Shares of the Parties seeking to exercise
24 the right of first refusal.

25 19.10 Riverside and Anaheim each represent and
26

1 warrant that it has obtained all necessary approvals,
2 including voter approval if required, for its project
3 contractual undertakings including this Participation
4 Agreement and for its means of financing its
5 participation in the construction, operation and
6 maintenance of Units 2 and 3 and that it has legal
7 authority to enter into and be bound by all of its
8 project contractual undertakings including this
9 Participation Agreement.

10 19.11 Riverside and Anaheim shall have the right
11 to audit the books and records of Edison directly
12 pertaining to Units 2 and 3, the Common Facilities, and
13 the Plant Site. Should any audit reveal errors,
14 omissions or items not properly chargeable to Units 2
15 and 3, the Common Facilities and the Plant Site or to
16 Riverside and Anaheim in the amounts billed, appropriate
17 adjustment shall be made.

18 19.12 Effectiveness of this Participation Agree-
19 ment shall be subject to its being accepted for filing
20 by the regulatory agency having jurisdiction.

21 IN WITNESS WHEREOF, the Parties have caused this
22 Participation Agreement to be executed on their behalf
23 and the signatories hereto represent that they have
24 been duly authorized to enter into this Participation
25 Agreement on behalf of the Party for whom they sign.
26

APPROVED AS TO FORM:
JOHN R. HUNY
General Counsel

APPROVED AS TO FORM, 8-21-1980
By E. Wagner
Assistant General Counsel 8/15/80

Executed as of the 1st day of November, 1977.

ATTEST:

SOUTHERN CALIFORNIA EDISON COMPANY

[Signature]

ASSISTANT SECRETARY

By

[Signature] 8/15/80

VICE PRESIDENT

ATTEST:

SAN DIEGO GAS & ELECTRIC COMPANY

[Signature]

SECRETARY

By

[Signature] 8/21/80

VICE PRESIDENT

ATTEST:

CITY OF RIVERSIDE

ALICE A. HARE

City Clerk

BY [Signature]
ASSISTANT CITY CLERK

By

[Signature]

Mayor

OCT 30 1980

ATTEST:

CITY OF ANAHEIM

LINDA D. ROBERTS, CITY CLERK

BY: [Signature]

Deputy

By

[Signature] 10/23/80

PUBLIC UTILITIES GENERAL MANAGER

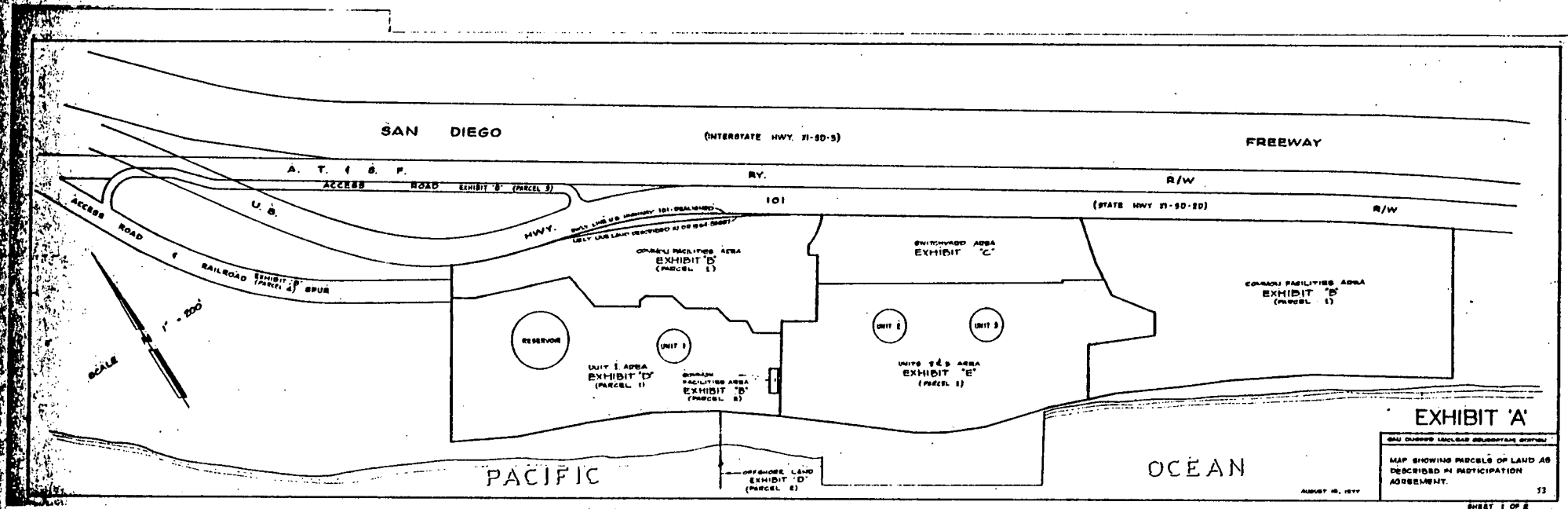
APPROVED AS TO FORM

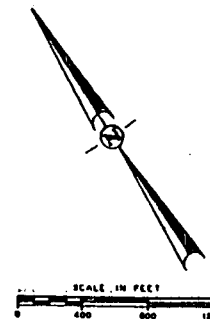
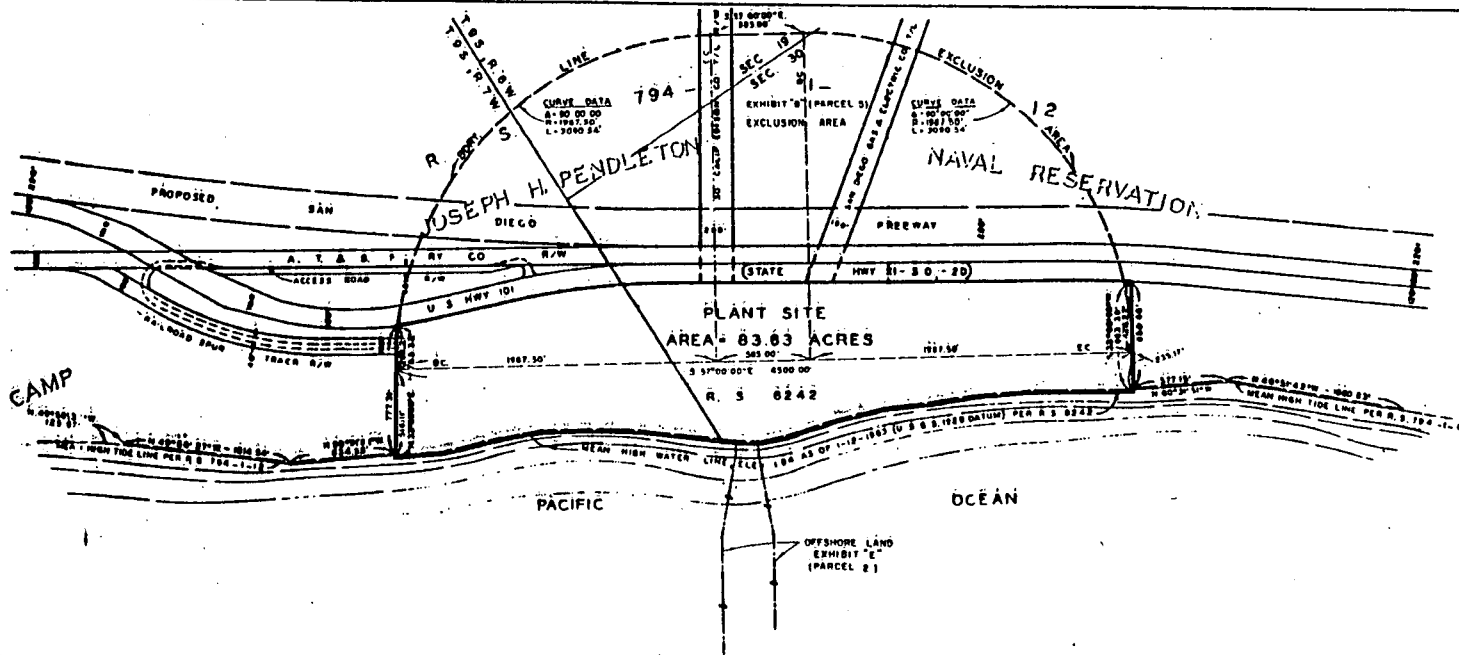
[Signature]
CITY ATTORNEY

APPROVED AS TO FORM

By: Alan R. Watts
Special Counsel City of Anaheim

Date: 10/23/80





BASIS OF BEARINGS PER CALIFORNIA STATE
 COORDINATES (LAMBERT) ZONE II

EXHIBIT 'A'

SAN JOSE PUBLIC UTILITIES DISTRICT

MAP SHOWING PARCELS OF LAND AS
 DESCRIBED IN PARTICIPATION
 AGREEMENT.

AUGUST 10, 1977

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SHEET 2 OF 2

COMMON FACILITIES AREA

That certain real property in the County of San Diego, State of California, described as follows:

PARCEL 1:

That portion of the Rancho Santa Margarita y Las Flores, as described in the Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of said County, being also portions of Section 24 in Township 9 South, Range 7 West, and Section 30 in Township 9 South, Range 6 West, as shown on Record of Survey Map No. 6242 filed June 13, 1963 in the office of said County Recorder, described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument, set in the Southwesterly line of U. S. Highway 101, said monument being North 56° 12' 04" West 2123.77 feet, measured along said Southwesterly line, from a 6 inch by 6 inch concrete highway monument, said first above mentioned concrete highway monument bears South 02° 52' 15" East 4207.25 feet from a 1-1/2 inch iron pipe, with brass cap, set for the Northeast corner of Section 24 in Township 9 South, Range 7 West, as shown on said Record of Survey Map, said first above mentioned concrete highway monument being also at the beginning of a tangent curve, concave Southwesterly and having a radius of 4940 feet; thence Northwesterly along said curve, through an angle of 12° 00' 00", a distance of 1034.63 feet; thence continuing along said Southwesterly line and tangent to said last mentioned curve, North 68° 12' 04" West, 503.81 feet to the beginning of a tangent curve, concave to the Northeast and having a radius of 2060 feet; thence Northwesterly, along said last mentioned curve, through an angle of 04° 54' 28", a distance of 176.47 feet to a point, a radial line of said last mentioned curve passing through said last mentioned point bears South 26° 42' 24" West; thence South 33° 00' 00" West, 785.32 feet to the Mean High Tide Line of the Pacific Ocean; thence Southeasterly, along said Mean High Tide Line of the Pacific Ocean to a line that is parallel with and 4500 feet Southeasterly, measured at right angles, from the course hereinabove described as having a bearing of South 33° 00' 00" West and a length of 785.32 feet; thence North 33° 00' 00" East, along said parallel line, 663.39 feet to a point in said Southwesterly line of U. S. Highway 101, said last mentioned point being in a curve in said Southwesterly line, said curve being concave Southwesterly and having a radius of 11,440 feet and being also tangent to the course hereinabove described as having a bearing of North 56° 12' 04" West and a length of 2123.77 feet, a radial line to said curve passing through said last mentioned point bears North 37° 12' 19" East; thence Northwesterly, along said curve,

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through an angle of $03^{\circ} 24' 23''$, a distance of 680.14 feet to the second above mentioned 6 inch by 6 inch concrete highway monument; thence North $56^{\circ} 12' 04''$ West, 2123.77 feet to the Point of Beginning.

EXCEPTING THEREFROM that portion thereof described as follows:

That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879, and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of the County of San Diego, and being also a portion of Section 24, Township 9 South, Range 7 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a point in the Northwesterly boundary line of the land described in that certain Grant of Easement from the United States of America, Secretary of the Navy, to Southern California Edison Company and San Diego Gas and Electric Company, on May 12, 1964, recorded in Series 5, Book 1964, Page No. 85887, of Official Records in said office of the County Recorder, said land being also shown on said Record of Survey Map No. 6242, said point being South $33^{\circ} 00' 00''$ West, 143.21 feet, measured along said Northwesterly boundary line, from the Northwesterly corner thereof; thence the following courses and distances: South $57^{\circ} 00' 00''$ East, 102.80 feet; South $68^{\circ} 59' 50''$ East, 434.90 feet; South $07^{\circ} 00' 56''$ East, 167.65 feet; South $57^{\circ} 00' 00''$ East, 208.00 feet; North $33^{\circ} 00' 00''$ East, 22.50 feet; North $73^{\circ} 57' 20''$ East, 35.09 feet; South $57^{\circ} 00' 00''$ East, 121.00 feet; South $12^{\circ} 00' 00''$ East, 80.61 feet; South $57^{\circ} 00' 00''$ East, 145.00 feet; South $12^{\circ} 00' 00''$ East, 79.20 feet; South $57^{\circ} 00' 00''$ East, 75.73 feet; South $04^{\circ} 55' 29''$ West, 60.07 feet; South $57^{\circ} 00' 00''$ East, 134.00 feet and South $33^{\circ} 00' 00''$ West, 375.00 feet to a point in the Southwesterly boundary line of said land, said point being North $52^{\circ} 00' 51''$ West, 03.62 feet, measured along said Southwesterly boundary line, from the Southeasterly terminus of that certain course shown as having a bearing of "South $52^{\circ} 00' 51''$ East" and a distance of "299.95 feet" as shown on Record of Survey Map No. 6242; thence along said Southwesterly boundary line the following courses and distances: North $52^{\circ} 00' 51''$ West, 296.33 feet; North $58^{\circ} 35' 26''$ West, 289.39 feet; North $65^{\circ} 56' 29''$ West, 300.23 feet; North $68^{\circ} 16' 51''$ West, 301.02 feet and North $61^{\circ} 30' 25''$ West, 308.74 feet to said Northwesterly boundary line of the land shown on Record of Survey Map No. 6242; thence along said Northwesterly boundary line North $33^{\circ} 00' 00''$ East, 642.11 feet to the Point of Beginning.

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ALSO EXCEPTING THEREFROM that portion thereof described as follows:

That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq. of Patents in the office of the County Recorder of the County of San Diego, and being also portions of Section 24, Township 9 South, Range 7 West and Section 30, Township 9 South, Range 6 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument set in the Northeasterly boundary line of the land described in that certain Grant of Easement from the United States of America, Secretary of the Navy, to Southern California Edison Company and San Diego Gas and Electric Company, on May 12, 1964, recorded in Series 5, Book 1964, Page No. 85887 of Official Records, in said office of the County Recorder, said land being also shown on said Record of Survey Map No. 6242, said concrete highway monument being also the Northwesterly terminus of that certain course shown as having a bearing of "North 56° 12' 04" West" and a distance of "2123.77 feet" on said Record of Survey Map No. 6242; thence Northwesterly, tangent to said last mentioned course along a curve concave Southwesterly, having a radius of 4940.00 feet, through a central angle of 00° 25' 46", a distance of 37.02 feet to the intersection of a non-tangent curve concave Southeasterly, having a radius of 135.00 feet, a radial line of said last mentioned curve passing through said point bears North 46° 45' 03" West; thence Southwesterly along said curve through a central angle of 09° 25' 25", a distance of 22.20 feet to a point in a reverse curve concave Northwesterly, having a radius of 135.00 feet; thence Southwesterly along said last mentioned curve through a central angle of 54° 17' 57", a distance of 127.94 feet to a point, a radial line of said curve passing through said point bears South 01° 52' 30" East; thence the following courses and distances: South 33° 00' 00" West, 45.00 feet; South 57° 00' 00" East, 45.00 feet; South 33° 00' 00" West, 123.00 feet; South 57° 00' 00" East, 1095.00 feet; North 33° 00' 00" East, 12.00 feet; South 57° 00' 00" East, 185.51 feet; North 06° 06' 31" East, 80.73 feet; and North 13° 18' 05" East, 211.24 feet to a point in the Northeasterly boundary line of the land shown on said Record of Survey Map No. 6242; thence along said Northeasterly boundary line, North 56° 12' 04" West, 1121.00 feet to the point of beginning.

ALSO EXCEPTING THEREFROM that portion thereof described as follows:

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That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq. of Patents in the office of the County Recorder of the County of San Diego, and being also portions of Section 24, Township 9 South, Range 7 West and Section 30, Township 9 South, Range 6 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument set in the Northeasterly boundary line of the land described in that certain Grant of Easement from the United States of America, Secretary of the Navy, to Southern California Edison Company and San Diego Gas and Electric Company, on May 12, 1964, recorded in Series 5, Book 1964, Page No. 85887 of Official Records, in said office of the County Recorder, said land being also shown on said Record of Survey Map No. 6242, said concrete highway monument being also the Northwesternly terminus of that certain course shown as having a bearing of "North 56° 12' 04" West" and a distance of "2123.77 feet" on said Record of Survey Map No. 6242; thence Northwesternly, tangent to said last mentioned course along a curve concave Southwesterly, having a radius of 4940.00 feet, through a central angle of 00° 25' 46", a distance of 37.02 feet to the intersection of a non-tangent curve concave Southeasterly, having a radius of 135.00 feet, a radial line of said last mentioned curve passing through said point bears North 46° 45' 03" West; thence Southwesterly along said curve through a central angle of 09° 25' 25", a distance of 22.20 feet to a point in a reverse curve concave Northwesternly, having a radius of 135.00 feet; thence Southwesterly along said last mentioned curve through a central angle of 54° 17' 57", a distance of 127.94 feet to a point, a radial line of said curve passing through said point bears South 01° 52' 30" East; thence South 33° 00' 00" West, 45.00 feet; thence South 57° 00' 00" East, 45.00 feet; thence South 33° 00' 00" West, 123.00 feet to the TRUE POINT OF BEGINNING of this description; thence the following courses and distances: South 57° 00' 00" East, 1095.00 feet; North 33° 00' 00" East, 12.00 feet; South 57° 00' 00" East, 185.51 feet; South 06° 06' 31" West, 76.25 feet; South 35° 36' 25" East, 208.36 feet; South 33° 00' 00" West, 102.00 feet; North 64° 48' 28" West, 301.80 feet and South 33° 00' 00" West, 245.30 feet to a point in the Southwesterly boundary line of the land shown on said Record of Survey Map No. 6242; thence along said Southwesterly boundary line the following courses and distances: North 68° 35' 07" West, 172.49 feet; North 73° 50' 00" West, 301.73 feet; North 65° 24' 53" West, 169.60 feet; North 57° 24' 41" West, 146.24 feet; North 49° 34' 15" West, 300.24 feet; North 50° 06' 17" West, 300.13 feet and North 52° 00'

EXHIBIT "B"

51" West, 03.62 feet to a point in said Southwesterly boundary line which is South 52° 00' 51" East, 296.33 feet, from the Northwesterly terminus of that certain course shown as having a bearing of "South 52° 00' 51" East" and a distance of "299.95 feet"; thence leaving said Southwesterly boundary line North 33° 00' 00" East, 426.00 feet; thence South 57° 00' 00" East, 161.00 feet; thence North 33° 00' 00" East, 167.00 feet to the true point of beginning.

PARCEL 2:

That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879, and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of the County of San Diego, and being also a portion of Section 24, Township 9 South, Range 7 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a point in that certain course having a bearing of "South 52° 00' 51" East" and a distance of "299.95 feet" in the Southwesterly boundary line of the land shown on Record of Survey Map No. 6242, filed June 13, 1963 in the office of the County Recorder of San Diego County, said point being North 52° 00' 51" West, 03.62 feet from the Southeasterly terminus of said certain course; thence North 33° 00' 00" East, 105.00 feet; thence North 57° 00' 00" West, 10.00 feet to the TRUE POINT OF BEGINNING of this description; thence continuing North 57° 00' 00" West, 40.00 feet; thence North 33° 00' 00" East, 110.00 feet; thence South 57° 00' 00" East, 40.00 feet and thence South 33° 00' 00" West, 110.00 feet to the true point of beginning.

PARCEL 3A (Access Road):

A strip of land, Forty (40) feet wide, the centerline of which is hereinafter described, lying within the Rancho Santa Margarita y Las Flores, as described in the Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq., of patents in the office of the County Recorder of said County, and being also a portion of Section 24, Township 9 South, Range 7 West, as per Record of Survey Map No. 6242 filed June 13, 1963 in the office of said County Recorder.

The centerline of said strip of land is described as follows:

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Beginning at a 6 inch by 6 inch concrete highway monument, set in the Southwesterly line of U. S. Highway 101, said monument being North 56° 12' 04" West, 2123.77 feet, measured along said Southwesterly line, from a 6 inch by 6 inch concrete highway monument, said first above mentioned concrete highway monument bears South 02° 52' 15" East, 4207.25 feet from a 1-1/2 inch iron pipe, with brass cap, set for the Northeast corner of Section 24 in Township 9 South, Range 7 West, as shown on said Record of Survey Map, said first above mentioned concrete highway monument being also at the beginning of a tangent curve concave Southwesterly and having a radius of 4940 feet; thence Northwesterly, along said curve, through an angle of 12° 00' 00", a distance of 1034.63 feet; thence continuing along said Southwesterly line and tangent to said last mentioned curve, North 68° 12' 04" West, 503.81 feet to the beginning of a tangent curve concave to the Northeast and having a radius of 2060 feet; thence Northwesterly, along said last mentioned curve, through an angle of 04° 54' 28" a distance of 176.47 feet to a point, a radial line of said last mentioned curve passing through said last mentioned point bears South 26° 42' 24" West; thence South 33° 00' 00" West, 118.21 feet to the TRUE POINT OF BEGINNING of this description; thence North 57° 00' 00" West, 473.57 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 1912.67 feet; thence Northwesterly, along said last mentioned curve, through an angle of 29° 47' 14" a distance of 994.37 feet; thence tangent to said last mentioned curve, North 27° 12' 46" West, 65.16 feet to the beginning of a tangent curve concave to the Southeast and having a radius of 129.64 feet; thence Northwesterly, Northerly and Easterly, along said last mentioned curve through an angle of 151° 00' 42" a distance of 341.68 feet; thence tangent to said last mentioned curve, South 56° 12' 04" East, 152.16 feet, to the beginning of a tangent curve concave to the Southwest and having a radius of 100.00 feet; thence Southeasterly along said last mentioned curve, through an angle of 14° 38' 12", a distance of 25.55 feet; thence tangent to said last mentioned curve, South 41° 33' 52" East, 161.32 feet to the beginning of a tangent curve concave to the Northeast and having a radius of 100.00 feet; thence Southeasterly, along said last mentioned curve through an angle of 14° 38' 12", a distance of 25.55 feet; thence tangent to said last mentioned curve, South 56° 12' 04" East, 1651.27 feet to the beginning of a tangent curve concave to the Northeast and having a radius of 100.00 feet; thence Southeasterly along said last mentioned curve through an angle of 09° 48' 07" a distance of 17.11 feet; thence tangent to said last mentioned curve, South 66° 00' 11" East, 153.29 feet to the beginning of a tangent curve concave Southwesterly and having a radius of 60.00 feet; thence Southeasterly and Southerly along said last mentioned curve, through an angle of 90° 00' 00", a distance of 94.25 feet to a point hereinafter referred to as Point "A";

EXHIBIT "B"

thence tangent to said last mentioned curve, South 23° 59' 49" West, 33 feet to a point in the Northeasterly line of U. S. Highway 101, said last mentioned point being in a curve in said Northeasterly line, said curve being concave Southwesterly and having a radius of 5060 feet, a radial line to said last mentioned curve passing through said last mentioned point bears North 23° 59' 49" East, said last mentioned point being Easterly 194.13 feet measured along said Northeasterly line from a 6 inch by 6 inch concrete highway monument, said highway monument bears South 10° 20' 14" West, 3668.46 feet from a 1-1/2 inch iron pipe with brass cap, set for the Northeast corner of said Section 24.

The side lines of said strip of land, hereinabove described and designated as Parcel 3A, shall be prolonged or shortened so as to terminate in the Northeasterly line of said U. S. Highway 101.

PARCEL 3B (Access Road):

That portion of the Rancho Santa Margarita y Las Flores, as described in the patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of said County and being also a portion of Section 24 in Township 9 South, Range 7 West, as shown on the Record of Survey Map No. 6242, filed June 13, 1963 in the office of said County Recorder, described as follows:

Beginning at Point "A" hereinabove referred to in the centerline description of the strip of land hereinabove described and designated as Parcel 3A; thence South 66° 00' 11" East, 20 feet to the beginning of a non-tangent curve concave to the East and having a radius of 40.00 feet; thence Southerly along said curve through an angle of 55° 32' 58" a distance of 38.78 feet to a point in the Northeasterly line of U. S. Highway 101, said last mentioned point being in a curve concave to the South and having a radius of 5060 feet, a radial line of said last mentioned curve passing through said last mentioned point bears North 24° 25' 12" East; thence Westerly along said last mentioned curve through an angle of 00° 50' 46" a distance of 74.72 feet to a point, a radial line of said last mentioned curve passing through said last mentioned point bears North 23° 34' 26" East, said last mentioned point being also at the beginning of a non-tangent curve concave to the West and having a radius of 40.00 feet; thence Northerly along said last mentioned curve through an angle of 55° 32' 58" a distance of 38.78 feet to a point, a radial line to said last mentioned curve passing through said last mentioned point bears South 66° 00' 11" East; thence South 66° 00' 11" East, 20 feet to the point of beginning.

EXHIBIT "B"

EXCEPTING from the land hereinabove described and designated as Parcel 3B that portion thereof lying within the strip of land hereinabove described and designated as Parcel 3A.

PARCEL 4 (Spur Track Area):

A strip of land, One Hundred (100) feet wide, lying Forty-seven and one-half (47.5) feet Northeasterly and Fifty-two and one-half (52.5) feet Southwesterly of the hereinafter described reference line, said strip of land lying within the Rancho Santa Margarita y Las Flores, as described in the Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of said County, and being also a portion of Section 24 in Township 9 South, Range 7 West, as shown on the Record of Survey Map No. 6242, filed June 13, 1963 in the office of said County Recorder.

The reference line referred to above is described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument, set in the Southwesterly line of U. S. Highway 101, said monument being North 56° 12' 04" West, 2123.77 feet, measured along said Southwesterly line, from a 6 inch by 6 inch concrete highway monument, said first above mentioned concrete highway monument bears South 02° 52' 15" East, 4207.25 feet from a 1-1/2 inch iron pipe, with brass cap, set for the Northeast corner of Section 24 in Township 9 South, Range 7 West, as shown on said Record of Survey Map, said first above mentioned concrete highway monument being also at the beginning of a tangent curve concave Southwesterly and having a radius of 4940 feet; thence Northwesterly, along said curve, through an angle of 12° 00' 00", a distance of 1034.63 feet; thence continuing along said Southwesterly line and tangent to said last mentioned curve, North 68° 12' 04" West, 503.81 feet to the beginning of a tangent curve concave to the Northeast and having a radius of 2060 feet; thence Northwesterly, along said last mentioned curve, through an angle of 04° 54' 28" a distance of 176.47 feet to a point, a radial line of said last mentioned curve passing through said last mentioned point bears South 26° 42' 24" West; thence South 33° 00' 00" West, 115.71 feet to the TRUE POINT OF BEGINNING of this description; thence North 57° 00' 00" West, 473.57 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 1910.17 feet; thence Northwesterly along said last mentioned curve, through an angle of 29° 47' 14" a distance of 993.07 feet; thence tangent to said last mentioned curve North 27° 12' 46" West, 456.60 feet to the beginning of a tangent curve concave Southwesterly and having a radius of 573.69 feet; thence Northwesterly along said last mentioned curve through an angle of 20° 00' 00" a distance of 200.26 feet to the

EXHIBIT "B"

beginning of a compound curve concave Southwesterly and having a radius of 736.76 feet; thence Northwesterly along said last mentioned curve through an angle of $8^{\circ} 59' 18''$ 115.59 feet to a point in the centerline of the 100 foot right of way of The Atchison, Topeka and Santa Fe Railway Company, said point being North $56^{\circ} 12' 04''$ West, 700 feet, measured along said last mentioned centerline from its intersection with the centerline of U. S. Highway 101 (140 feet wide)..

. PARCEL 5 (Exclusion Area):

That portion of the Rancho Santa Margarita y Las Flores, as described in the Patent from the United States of America, dated March 28, 1879, and recorded in Book 7, page 18 et seq., of Patents, in the office of the County Recorder of said County and being also portions of Sections 19 and 30 in Township 9 South, Range 6 West, and of Section 24 in Township 9 South, Range 7 West, as shown on a Record of Survey Map No. 6242 filed June 13, 1963 in the office of said County Recorder described as follows:

Beginning at the Southwest corner of the 83.63 Acre parcel of land, shown on said Map filed on June 13, 1963 as Map No. 6242 of Records of Survey in the office of said County Recorder; thence North $33^{\circ} 00' 00''$ East, along the Northwesterly boundary line of said 83.63 Acre parcel, a distance of 516.11 feet to the beginning of a tangent curve concave Southerly and having a radius of 1967.50 feet; thence Northerly and Easterly along said curve, through an angle of 90° , a distance of 3090.54 feet; thence South $57^{\circ} 00' 00''$ East, 565.00 feet to the beginning of a tangent curve concave Westerly and having a radius of 1967.50 feet; thence Easterly and Southerly along said last mentioned curve, through an angle of 90° , a distance of 3090.54 feet to a point in the Southeasterly boundary line of said 83.63 Acre parcel; thence along said Southeasterly boundary line and tangent to said last mentioned curve South $33^{\circ} 00' 00''$ West, 235.17 feet to the Southeast corner of said 83.63 Acre parcel; thence Northwesterly along the various courses and distances in the Southwesterly boundary line of said 83.63 Acre parcel to the point of beginning.

EXCEPTING THEREFROM that portion thereof lying Southwesterly of the Southwesterly line of U. S. Highway 101.

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SWITCHYARD AREA

That certain real property in the County of San Diego, State of California, described as follows:

That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq. of Patents in the office of the County Recorder of the County of San Diego, and being also portions of Section 24, Township 9 South, Range 7 West and Section 30, Township 9 South, Range 6 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument set in the Northeasterly boundary line of the land described in that certain Grant of Easement from the United States of America, Secretary of the Navy, to Southern California Edison Company and San Diego Gas and Electric Company, on May 12, 1964, recorded in Series 5, Book 1964, Page No. 85887 of Official Records, in said office of the County Recorder, said land being also shown on said Record of Survey Map No. 6242, said concrete highway monument being also the Northwestern terminus of that certain course shown as having a bearing of "North 56° 12' 04" West" and a distance of "2123.77 feet" on said Record of Survey Map No. 6242; thence Northwesternly, tangent to said last mentioned course along a curve concave Southwesterly, having a radius of 4940.00 feet, through a central angle of 00° 25' 46", a distance of 37.02 feet to the intersection of a non-tangent curve concave Southeasterly, having a radius of 135.00 feet, a radial line of said last mentioned curve passing through said point bears North 46° 45' 03" West; thence Southwesterly along said curve through a central angle of 09° 25' 25", a distance of 22.20 feet to a point in a reverse curve concave Northwesternly, having a radius of 135.00 feet; thence Southwesterly along said last mentioned curve through a central angle of 54° 17' 57", a distance of 127.94 feet to a point, a radial line of said curve passing through said point bears South 01° 52' 30" East; thence the following courses and distances: South 33° 00' 00" West, 45.00 feet; South 57° 00' 00" East, 45.00 feet; South 33° 00' 00" West, 123.00 feet; South 57° 00' 00" East, 1095.00 feet; North 33° 00' 00" East, 12.00 feet; South 57° 00' 00" East, 185.51 feet; North 06° 06' 31" East, 80.73 feet; and North 13° 18' 05" East, 211.24 feet to a point in the Northeasterly boundary line of the land shown on said Record of Survey Map No. 6242; thence along said Northeasterly boundary line, North 56° 12' 04" West, 1121.00 feet to the point of beginning.

EXHIBIT "C"

UNIT 1 AREA

PARCEL 1:

That certain real property in the County of San Diego, State of California, described as follows:

That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879, and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of the County of San Diego, and being also a portion of Section 24, Township 9 South, Range 7 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a point in the Northwestern boundary line of the land described in that certain Grant of Easement from the United States of America, Secretary of the Navy, to Southern California Edison Company and San Diego Gas and Electric Company, on May 12, 1964, recorded in Series 5, Book 1964, Page No. 85887, of Official Records in said office of the County Recorder, said land being also shown on said Record of Survey Map No. 6242, said point being South 33° 00' 00" West, 143.21 feet, measured along said Northwestern boundary line, from the Northwestern corner thereof; thence the following courses and distances: South 57° 00' 00" East, 102.80 feet; South 68° 59' 50" East, 434.90 feet; South 07° 00' 56" East, 167.65 feet; South 57° 00' 00" East, 208.00 feet; North 33° 00' 00" East, 22.50 feet; North 73° 57' 20" East, 35.09 feet; South 57° 00' 00" East, 121.00 feet; South 12° 00' 00" East, 80.61 feet; South 57° 00' 00" East, 145.00 feet; South 12° 00' 00" East, 79.20 feet; South 57° 00' 00" East, 75.73 feet; South 04° 55' 29" West, 60.07 feet; South 57° 00' 00" East, 134.00 feet and South 33° 00' 00" West, 375.00 feet to a point in the Southwesterly boundary line of said land, said point being North 52° 00' 51" West, 03.62 feet, measured along said Southwesterly boundary line, from the Southeasterly terminus of that certain course shown as having a bearing of "South 52° 00' 51" East" and a distance of "299.95 feet" as shown on Record of Survey Map No. 6242; thence along said Southwesterly boundary line the following courses and distances: North 52° 00' 51" West, 296.33 feet; North 58° 35' 26" West, 289.39 feet; North 65° 56' 29" West, 300.23 feet; North 68° 16' 51" West, 301.02 feet and North 61° 30' 25" West, 308.74 feet to said Northwestern boundary line of the land shown on Record of Survey Map No. 6242; thence along said Northwestern boundary line North 33° 00' 00" East, 642.11 feet to the Point of Beginning.

EXHIBIT "D"

-1-

EXCEPTING THEREFROM that certain rectangular parcel of land, described as follows:

Beginning at a point in that certain course having a bearing of "South 52° 00' 51" East" and a distance of "299.95 feet" in the Southwesterly boundary line of the land shown on Record of Survey Map No. 6242, filed June 13, 1963 in the office of the County Recorder of San Diego County, said point being North 52° 00' 51" West, 03.62 feet from the Southeasterly terminus of said certain course; thence North 33° 00' 00" East, 105.00 feet; thence North 57° 00' 00" West, 10.00 feet to the TRUE POINT OF BEGINNING of this description; thence continuing North 57° 00' 00" West, 40.00 feet; thence North 33° 00' 00" East, 110.00 feet; thence South 57° 00' 00" East, 40.00 feet and thence South 33° 00' 00" West, 110.00 feet to the true point of beginning.

PARCEL 2 (Off-Shore Land):

A strip of tide and submerged land, one-hundred (100) feet wide, in the County of San Diego, State of California, the center line of which is described as follows:

Beginning at a point in that certain course in the Southwesterly boundary of the 83.63 Acre parcel of land shown on Record of Survey Map filed on June 13, 1963, as Map No. 6242 of Records of Survey in the office of County Recorder of said County, said certain course is shown on said map as having a bearing of "S 52° 00' 51" E" and a length of "299.95 feet", said point being South 52° 00' 51" East 18.71 feet from the Northwesterly terminus of said certain course; thence South 33° 00' 00" West, 3,310.11 feet, containing 7.599 acres more or less.

The side lines of said strip of land shall be shortened at the Northeasterly terminus thereof so as to terminate in the Southwesterly boundary line of said 83.63 Acre parcel of land, shown on said Record of Survey Map.

UNITS 2 & 3 AREA

PARCEL 1:

That certain real property in the County of San Diego, State of California, described as follows:

That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq. of Patents in the office of the County Recorder of the County of San Diego, and being also portions of Section 24, Township 9 South, Range 7 West and Section 30, Township 9 South, Range 6 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument set in the Northeasterly boundary line of the land described in that certain Grant of Easement from the United States of America, Secretary of the Navy, to Southern California Edison Company and San Diego Gas and Electric Company, on May 12, 1964, recorded in Series 5, Book 1964, Page No. 85887 of Official Records, in said office of the County Recorder, said land being also shown on said Record of Survey Map No. 6242, said concrete highway monument being also the Northwesterly terminus of that certain course shown as having a bearing of "North 56° 12' 04" West" and a distance of "2123.77 feet" on said Record of Survey Map No. 6242; thence Northwesterly, tangent to said last mentioned course along a curve concave Southwesterly, having a radius of 4940.00 feet, through a central angle of 00° 25' 46", a distance of 37.02 feet to the intersection of a non-tangent curve concave Southeasterly, having a radius of 135.00 feet, a radial line of said last mentioned curve passing through said point bears North 46° 45' 03" West; thence Southwesterly along said curve through a central angle of 09° 25' 25", a distance of 22.20 feet to a point in a reverse curve concave Northwesterly, having a radius of 135.00 feet; thence Southwesterly along said last mentioned curve through a central angle of 54° 17' 57", a distance of 127.94 feet to a point, a radial line of said curve passing through said point bears South 01° 52' 30" East; thence South 33° 00' 00" West, 45.00 feet; thence South 57° 00' 00" East, 45.00 feet; thence South 33° 00' 00" West, 123.00 feet to the TRUE POINT OF BEGINNING of this description; thence the following courses and distances: South 57° 00' 00" East, 1095.00 feet; North 33° 00' 00" East, 12.00 feet; South 57° 00' 00" East, 185.51 feet; South 06° 06' 31" West, 76.25 feet; South 35° 36' 25" East, 208.36 feet; South 33° 00' 00" West, 102.00 feet; North 64° 48' 28" West,

EXHIBIT "E"

-1-

301.80 feet and South 33° 00' 00" West, 245.30 feet to a point in the Southwesterly boundary line of the land shown on said Record of Survey Map No. 6242; thence along said Southwesterly boundary line the following courses and distances: North 68° 35' 07" West, 172.49 feet; North 73° 50' 00" West, 301.73 feet; North 65° 24' 53" West, 169.60 feet; North 57° 24' 41" West, 146.24 feet; North 49° 34' 15" West, 300.24 feet; North 50° 06' 17" West, 300.13 feet and North 52° 00' 51" West, 03.62 feet to a point in said Southwesterly boundary line which is South 52° 00' 51" East, 296.33 feet, from the Northwesternly terminus of that certain course shown as having a bearing of "South 52° 00' 51" East" and a distance of "299.95 feet"; thence leaving said Southwesterly boundary line North 33° 00' 00" East, 426.00 feet; thence South 57° 00' 00" East, 161.00 feet; thence North 33° 00' 00" East, 167.00 feet to the true point of beginning.

PARCEL 2 (Off-Shore Land):

Those certain tide and submerged lands in the County of San Diego, State of California, described as follows:

Beginning at the Easterly terminus of that certain course in the Southwesterly boundary line of the 83.63 Acre parcel of land shown on Record of Survey Map filed on June 13, 1963 as Map No. 6242 of Record of Surveys, in the office of the County Recorder of said County, said certain course is shown on said map as having a bearing of "South 49° 34' 15" East and a length of 300.24 feet"; thence South 57° 24' 41" East, 8.64 feet to the TRUE POINT OF BEGINNING of this description; thence the following courses and distances: South 33° 00' 00" West, 56.81 feet; South 39° 44' 55" West, 2347.44 feet; North 57° 00' 00" West, 58.14 feet; South 33° 00' 00" West, 140.00 feet; South 57° 00' 00" East, 50.00 feet; South 33° 00' 00" West, 681.39 feet; North 57° 00' 00" West, 20.00 feet; South 33° 00' 00" West, 140.00 feet; South 57° 00' 00" East, 20.00 feet; South 33° 00' 00" West, 5029.50 feet; South 57° 00' 00" East, 40.00 feet; North 33° 00' 00" East, 5029.50 feet; South 57° 00' 00" East, 80.00 feet; North 33° 00' 00" East, 140.00 feet; North 57° 00' 00" West, 50.00 feet; North 33° 00' 00" East, 681.39 feet; South 57° 00' 00" East, 20.00 feet; North 33° 00' 00" East, 140.00 feet; North 57° 00' 00" West, 11.37 feet; North 39° 44' 55" East, 543.88 feet; South 50° 15' 05" East, 70.00 feet; North 39° 44' 55" East, 140.00 feet; North 50° 15' 05" West, 45.00 feet; North 39° 44' 53" East, 1660.88 feet; South 61° 03' 16" East, 21.05 feet; South 26° 17' 55" West, 2343.08 feet; North 57° 00' 00" West, 11.43 feet; South 33° 00' 00" West, 140.00 feet; South 57° 00' 00" East, 20.00 feet; South 33° 00' 00" West, 681.38 feet; North 57° 00' 00" West, 50.00 feet; South 33° 00' 00" West, 140.00 feet; South 57° 00' 00" East, 80.00 feet; South 33° 00' 00" West, 2699.50

EXHIBIT "E"

West, 58.09 feet; North 26° 17' 55" East, 2347.21 feet and North 33° 00' 00" East, 64.97 feet to a point in the Southwesterly boundary line of the 83.63 Acre parcel of land shown on said Record of Survey Map No. 6242; thence along said Southwesterly line, the following two courses: North 65° 24' 53" West, 48.94 feet and North 57° 24' 41" West, 137.60 feet to the true point of beginning.

EXHIBIT F

SAN ONOFRE UNITS 2 AND 3
CONSTRUCTION AGREEMENT

AND

AMENDMENT NO. 1
SAN ONOFRE UNITS 2 AND 3
CONSTRUCTION AGREEMENT

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2
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6 SAN ONOFRE UNITS 2 AND 3

7
8 CONSTRUCTION AGREEMENT

9
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11 BETWEEN

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16 SAN DIEGO GAS & ELECTRIC COMPANY

17
18 AND

19
20 SOUTHERN CALIFORNIA EDISON COMPANY
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SAN ONOFRE UNITS 2 AND 3

CONSTRUCTION AGREEMENT

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1 SAN ONOFRE UNITS 2 AND 3

2 CONSTRUCTION AGREEMENT

3
4
5 1. PARTIES: This Agreement is entered into as of the
6 24 day of May, 1973, by and between
7 SAN DIEGO GAS & ELECTRIC COMPANY, a California corporation
8 ("San Diego") and SOUTHERN CALIFORNIA EDISON COMPANY,
9 a California corporation ("Edison"), individually called
10 "Company" and collectively called "Companies".

11 2. RECITALS: This Agreement is made with reference
12 to the following facts, among others:

13 2.1 The Companies entered into the San Onofre
14 Ownership Agreement, dated October 5, 1967, in connection
15 with the San Onofre Nuclear Generating Station (hereinafter
16 called "San Onofre"), and Unit 1 in particular.

17 2.2 The Companies entered into a letter agreement,
18 dated January 22, 1970, pertaining to the intent of the
19 Companies with regard to the ownership, construction, opera-
20 tion, maintenance and use of Units 2 and 3 at San Onofre. As
21 provided in said letter agreement, the Companies also entered
22 into supplemental agreements concerning liability and
23 insurance, dated August 21, 1970, and project costs prior to
24 execution of this Agreement, dated September 9, 1970, both in
25 connection with Units 2 and 3.

26 2.3 The Companies entered into a letter agreement,

1 dated December 22, 1970, that provides for the retirement
2 of the existing switchyard facilities and the construction
3 of new switchyard facilities at Site A.

4 2.4 The Companies entered into an agreement, dated
5 June 30, 1970, amended September 30, 1970 and October 2, 1972,
6 with the English Electric Company, Limited, for purchase of two
7 turbine-generators for Units 2 and 3.

8 2.5 The Companies intend to enter into an
9 agreement with Combustion Engineering, Inc., for purchase of
10 the nuclear steam supply systems, including fuel fabrication
11 for the first fuel loading, for Units 2 and 3.

12 2.6 The Companies intend to enter into agreements
13 with others for the fuel supply and the fuel reprocessing
14 for all units at the San Onofre Nuclear Generating Station.

15 2.7 The Companies intend to enter into an
16 agreement with others for engineer-constructor services for
17 Units 2 and 3.

18 2.8 Edison and San Diego desire to provide in this
19 Agreement for their respective rights and obligations with
20 respect to the construction of Units 2 and 3.

21 3. AGREEMENT: The Companies agree as follows:

22 4. DEFINITIONS: When used herein, the following
23 terms shall have the following meanings:

24 4.1 Composite Budget: The budget described in
25 Section 6.5 hereof that the Companies jointly prepare to
26 project the Construction Costs.

1 4.2 Construction Costs: Those costs described in
2 Section 6.1 hereof incurred by the Companies in the perfor-
3 mance of Project Work.

4 4.3 Coordinating Representatives: The representa-
5 tives established pursuant to Section 7.1.1 hereof.

6 4.4 Date of Firm Operation: The date, in each case
7 for Unit 2 and Unit 3, on which that unit is formally released
8 by the Project Director to the system dispatchers for opera-
9 tion as a reliable source of generation and can be reasonably
10 expected to operate continuously at its rated capacity.

11 4.5 Date of Initial Full Power Operation: The
12 date, in each case for Unit 2 and Unit 3, on which that unit
13 shall have first achieved two hundred (200) continuous hours
14 of operation at full power.

15 4.6 Date of Initial Operation: The date, in each
16 case for Unit 2 and Unit 3, on which that unit's generator is
17 first synchronized to each Company's electric system and
18 generates power.

19 4.7 Edison Switchyard: The 220-kV switchrack and
20 related facilities at San Onofre constructed for Edison's
21 exclusive use, including the 220-kV bus sections to which
22 Edison's transmission lines are connected, but not including
23 the power circuit breakers, transformer side disconnect
24 switches, conductors, and dead-end assemblies associated with
25 the main transformer leads and reserve auxiliary transformer
26 leads or any environmental radiation monitoring equipment

1 installed therein. In addition, the following items located
2 in the Unit 1 control-administration building are considered
3 to be part of the Edison Switchyard:

4 4.7.1 Controls, indicating lights and
5 instruments associated with Edison's
6 220-kV switchrack facilities.

7 4.7.2 Meters and devices for interconnection
8 metering and Edison's associated
9 telemetering equipment.

10 4.8 Engineer-Constructor: A corporation which
11 shall perform major engineering and construction portions
12 of the Project Work under a separate contract with the
13 Companies.

14 4.9 Engineering Representatives: The represen-
15 tatives established pursuant to Section 7.1.2 hereof.

16 4.10 Final Completion Report: A complete
17 summary of the Construction Costs incurred in the performance
18 of the Project Work and each Company's portion of said
19 Construction Costs.

20 4.11 Fiscal Representatives: The representatives
21 established pursuant to Section 7.1.3 hereof.

22 4.12 FPC Accounts: The Federal Power Commission's
23 Uniform System of Accounts prescribed for Public Utilities
24 and Licensees (Class A and Class B), in effect on
25 January 1, 1970, as amended. Reference in this Agreement to
26 any specific FPC account number shall mean the FPC account

1 number in effect as of the effective date of this Agreement,
2 or any successor FPC account number.

3 4.13 Insurance Representatives: The represen-
4 tatives established pursuant to Section 7.1.4 hereof.

5 4.14 Nuclear Information Center: The structures
6 and associated facilities that will be constructed or re-
7 located at the Plant Site, for the purpose of educating
8 visitors about nuclear power generation and its effect on
9 the environment.

10 4.15 Operating Agent: Edison, who, pursuant to
11 the January 22, 1970 letter agreement between the Companies
12 referred to in Section 2.2 hereof, is designated the Company
13 having responsibility for the operation and maintenance
14 of Unit 2 and Unit 3.

15 4.16 Participation Share: The respective undivided
16 percentage ownership interest of each Company in Units 2 and
17 3 which is eighty percent (80%) for Edison and twenty percent
18 (20%) for San Diego.

19 4.17 Plant Site: An area of land used for the
20 major portion of San Onofre described in an easement granted
21 for such purpose by the United States to the Companies on
22 May 12, 1964 and recorded in the Official Records, Office
23 of the County Recorder of San Diego County, in Series 5,
24 Book 1964, Page No. 85887.

25 4.18 Project Agreements: Those agreements which
26 have been executed, or will be executed during the term of

1 this Agreement, by San Diego and Edison, between themselves,
2 or jointly with third parties, which relate to the construction
3 of Units 2 and 3.

4 4.19 Project Director: Edison, who, as agent for
5 San Diego and principal on its own behalf, is designated the
6 Company having the responsibility for the performance and
7 completion of the Project Work.

8 4.20 Project Insurance: Policies of insurance
9 relating to the Project Work to be secured and maintained as
10 provided in Section 8 hereof.

11 4.21 Project Work: All engineering, design,
12 construction, contract preparation, purchasing, supervision,
13 expediting, inspection, accounting, testing, start-up, and
14 regulatory licensing of and for Units 2 and 3 and other
15 related facilities (but not the switchyard facilities at
16 Site A, the Edison Switchyard and the San Diego Switchyard)
17 as such work is more particularly described in Section 5
18 hereof.

19 4.22 Quality Control: All those planned and
20 systematic actions necessary or appropriate to provide,
21 in accordance with 10 C.F.R. Part 50, Appendix B, as it may
22 be amended from time to time, adequate assurance to the
23 Companies that the construction and operation of Units 2 and 3
24 will not pose an undue risk to the health and safety of the
25 public, and that Units 2 and 3 will provide continuous and
26 reliable generation of electric power.

1 4.23 Quality Control Representatives: The repre-
2 sentatives established pursuant to Section 7.1.5 hereof.

3 4.24 Request for Funds: The request of the Project
4 Director pursuant to Section 6.7 hereof for funds required
5 from San Diego for its portion of Construction Costs.

6 4.25 San Diego Switchyard: The 220-kV switchrack
7 and related facilities constructed at San Onofre for San
8 Diego's exclusive use, including the 220-kV bus sections to
9 which San Diego's transmission lines are connected, but not
10 including the power circuit breakers, transformer side dis-
11 connect switches, conductors, and dead-end assemblies
12 associated with the main transformer leads and reserve
13 auxiliary transformer leads or any environmental radiation
14 monitoring equipment installed therein.

15 4.26 San Onofre Nuclear Generating Station ("San
16 Onofre")): The entire nuclear generating facility located
17 on a site of approximately 90 acres in the northwest corner of
18 the Marine Corps Base, Camp Pendleton, California, consisting
19 of the Plant Site, the Access Road Area, the Spur Track
20 Area, the Off-Shore Land, any Subsequent Acquisitions, Unit
21 1, Unit 2, Unit 3, the Nuclear Information Center, the Edison
22 Switchyard, the San Diego Switchyard, and any Additional
23 Generating Units subsequently constructed or installed, as
24 such terms are defined in the San Onofre Ownership Agreement
25 or this Agreement.

26 / /

1 4.27 San Onofre Ownership Agreement: The
2 agreement the Companies entered into on October 5, 1967,
3 which provides for the ownership of the San Onofre Nuclear
4 Generating Station.

5 4.28 Site A: The area of land at San Onofre
6 on which Edison and San Diego have constructed new
7 switchyard facilities for use during a portion of the
8 construction period of Units 2 and 3.

9 4.29 Start-Up Period: The period, for each
10 unit, commencing on the date when the auxiliary bus of
11 each unit is first energized for testing, and terminating
12 on the Date of Firm Operation of such unit, during which
13 any necessary alterations and adjustments shall be
14 made to provide for said unit's safe and dependable operation.

15 4.30 Unit 1: The first nuclear generating
16 unit at San Onofre, consisting of a nuclear steam supply
17 system, a turbine-generator designed to generate approximately
18 430 megawatts (net) of electric power, and all related
19 equipment and facilities which are necessary for the safe
20 and efficient generation of electrical energy.

21 4.31 Unit 2: The second nuclear generating
22 unit at San Onofre, consisting of a nuclear steam
23 supply system, a turbine-generator designed to generate
24 approximately 1,140 megawatts (net) of electric power,
25 and all related equipment and facilities which are necessary
26 for the safe and efficient generation of electrical energy,

1 including that equipment necessary to connect Unit 2
2 with those facilities existing as part of Unit 1 and those
3 facilities that will be part of Unit 3, installed on
4 the Plant Site, but excluding those common facilities
5 installed along with Unit 1 or Unit 3.

6 4.32 Unit 3: The third nuclear generating
7 unit at San Onofre, consisting of a nuclear steam supply
8 system, a turbine-generator designed to generate approximately
9 1,140 megawatts (net) of electric power, and all related
10 equipment and facilities which are necessary for the safe
11 and efficient generation of electrical energy, including
12 that equipment necessary to connect Unit 3 with those facilities
13 existing as part of Unit 1 and those facilities that will
14 be part of Unit 2, installed on the Plant Site, but
15 excluding those common facilities installed along with
16 Unit 1 or Unit 2.

17 4.33 Willful Action: Action taken or not taken by
18 a Company at the direction of its directors, officers or
19 employees having management or administrative responsibility
20 affecting its performance under any of the Project Agreements,
21 which action:

22 4.33.1 is knowingly or intentionally taken or
23 failed to be taken with conscious
24 indifference to the consequences there-
25 of, or with intent that injury or
26 damage would result or would probably

1 result therefrom;

2 4.33.2 has been determined by final arbitra-
3 tion award or final judgment or judic-
4 ial decree to be a material default
5 under any of the Project Agreements and
6 which occurs or continues beyond the
7 time specified in such arbitration
8 award or judgment or judicial decree
9 for curing such default, or, if no time
10 to cure is specified therein, occurs or
11 continues thereafter beyond a reason-
12 able time to cure such default:

13 4.33.3 is knowingly or intentionally taken or
14 failed to be taken with the knowledge
15 that such action taken or failed to be
16 taken is a material default under any
17 of the Project Agreements.

18 Willful Action does not include any act or
19 failure to act which is merely involuntary, accidental
20 or negligent. As used in this Section 4.33, the phrase
21 "employees having management or administrative responsibility"
22 refers to employees of a Company who are responsible for
23 one or more of the executive or administrative functions of
24 planning, organizing, coordinating, directing, controlling
25 and supervising such Company's performance under any of
26 the Project Agreements.

1 5. PROJECT WORK: The Project Work shall be performed
2 and completed as follows:

3 5.1 Edison shall be the Project Director.

4 5.2 San Diego hereby appoints Edison as its agent,
5 and Edison hereby undertakes as San Diego's agent and as
6 principal on its own behalf, the responsibility to perform
7 and complete the Project Work in accordance with the terms
8 and conditions set forth herein.

9 5.3 As part of such responsibility and subject to
10 the terms and conditions set forth herein, the Project Director
11 shall, in regard to the Project Work:

12 5.3.1 Contract for, furnish and obtain
13 services and studies.

14 5.3.2 Purchase and procure equipment,
15 apparatus, machinery, materials, tools,
16 and supplies.

17 5.3.3 Secure and maintain Project Insurance.

18 5.3.4 Investigate, adjust and settle claims
19 against the Companies for which pay-
20 ment is not made by Project Insurance,
21 and claims of the Companies against
22 any insurer or third party for losses
23 and damages. The Project Director shall
24 obtain the prior consent of the
25 Coordinating Representatives before
26 agreeing to a settlement of any claim

1 or combination of claims exceeding
2 \$100,000 arising out of the same trans-
3 action or event and not covered by
4 Project Insurance.

5 5.3.5 Assist any insurer in the investiga-
6 tion, adjustment and settlement of any
7 loss or claim covered by Project
8 Insurance.

9 5.3.6 Determine what contractors, if any,
10 shall be required to furnish insurance
11 as provided in Section 8.1 hereof, and
12 faithful performance and payment bonds.

13 5.3.7 Execute, administer and enforce con-
14 tracts in the name of Edison, acting as
15 principal on its own behalf and as
16 agent for San Diego, for the Project
17 Work; provided, that agreements with
18 third parties concerning the nuclear
19 steam supply systems, fuel supply,
20 fuel reprocessing, turbine-generators
21 and the Engineer-Constructor will be
22 executed and enforced by both Edison
23 and San Diego.

24 5.3.8 Comply with laws and regulations
25 applicable to the Project Work, includ-
26 ing the provisions of any workmen's

1 compensation acts.

2 5.3.9 Keep and maintain records of monies re-
3 ceived and expended, obligations in-
4 curred, credits accrued, estimates of
5 Construction Costs (excluding ad valorem
6 taxes and the allowance for funds used
7 during construction), and contracts
8 entered into in the performance of
9 Project Work.

10 5.3.10 Expend funds advanced by San Diego to
11 the Project Director only for Construc-
12 tion Costs and in accordance with the
13 terms and conditions of this Agreement.

14 5.3.11 Keep Units 2 and 3 free from liens ex-
15 cept for liens for taxes or assessments
16 not yet due or liens incidental to
17 construction; provided, that the Project
18 Director may in good faith contest the
19 lawfulness or validity of any lien if
20 such lien cannot be fore-closed during
21 the pendency of the contest.

22 5.3.12 Keep San Diego, through its Engineering
23 Representative, fully and promptly
24 informed as to significant matters
25 involving the Project Work.

26 5.3.13 Obtain or cause to be obtained, in

1 accordance with Section 10 hereof,
2 construction permits, temporary
3 access rights and other licenses
4 and approvals required to perform
5 and complete Project Work.

6 5.3.14 Construct or cause to be constructed
7 Units 2 and 3 with the objective:

8 5.3.14.1 for Unit 2, of having a
9 Date of Firm Operation
10 by October 1, 1979;

11 and

12 5.3.14.2 for Unit 3, of having a
13 Date of Firm Operation by
14 October 1, 1980.

15 The Project Director shall use its
16 best efforts in the performance of
17 its responsibilities hereunder to
18 complete the Project Work as
19 scheduled above and shall promptly
20 inform the Coordinating Representatives
21 of any factors affecting such
22 schedules.

23 5.3.15 Subsequent to the Date of Initial
24 Full Power Operation of each Unit,
25 make final equipment modifications
26 necessary to meet the specified

1 requirements thereof, and conduct
2 tests to verify that specified
3 efficiencies of major equipment
4 items have been achieved.

5 5.3.16 Construct or cause to be constructed
6 a Nuclear Information Center on
7 the Plant Site with convenient access
8 by the public, parking facilities
9 and landscaping.

10 5.4 Each Company shall provide the other with
11 any available information pertaining to the Project Work
12 that will assist the other Company in responding to a
13 request for such information by any regulatory agency.
14 The Companies shall keep each other informed on such
15 responses to regulatory agencies.

16 5.5 The Project Director shall prepare and
17 provide San Diego with a summary of Construction Costs,
18 in a form which will allow San Diego to classify its
19 portion of such Construction Costs to appropriate FPC
20 Accounts, as soon as practicable after the Date of Firm
21 Operation of Unit 2 and Unit 3.

22 5.6 The Project Director shall prepare and provide
23 San Diego with a Final Completion Report within one year after
24 the completion of Project Work.

25 5.7 The Project Director shall use the FPC Accounts
26 in preparing the summary of Construction Costs and the Final

1 Completion Report and any supplements thereto.

2 6. CONSTRUCTION COSTS:

3 6.1 Construction Costs shall consist of payments
4 made and obligations incurred (other than obligations for the
5 allowance for funds used during construction and ad valorem
6 taxes) for the account of Project Work. Construction Costs
7 shall include, but shall not be limited to, all payments made
8 and obligations incurred in connection with the following:

9 6.1.1 All cost of labor, services and studies
10 authorized by the Project Director.

11 6.1.2 Payroll of the Companies' employees who
12 perform Project Work, including
13 customary labor loading charges applic-
14 able thereto such as Social Security
15 Tax, unemployment taxes and time-off
16 allowances.

17 6.1.3 All components of the costs of con-
18 struction including overhead costs
19 associated with construction, temporary
20 facilities, land and land rights,
21 structures and improvements, and
22 equipment for Units 2 and 3, as set
23 forth in the FPC Accounts.

24 6.1.4 All costs, including those of consul-
25 tants and attorneys retained for the
26 purpose of the Project Work and San

1 San Diego's general counsel (but
2 excluding those direct costs of
3 Edison's attorneys whose costs and
4 expenses are included in administrative
5 and general expenses provided for in
6 Section 6.1.8 hereof, and those costs
7 of San Diego's general counsel involved
8 in pre-licensing anti-trust review
9 activities), incurred by the Companies
10 in regard to:

11 6.1.4.1 Land rights (excluding
12 transmission land rights).

13 6.1.4.2 Procurement of the nuclear
14 steam supply systems (in-
15 cluding the initial fuel
16 loadings), turbine-genera-
17 tors and services of the
18 Engineer-Constructor,

19 6.1.4.3 Preparation of applications
20 or reports required to
21 obtain necessary regulatory
22 approvals for Units 2 and 3,

23 6.1.4.4 Preparation of the agree-
24 ments relating to Project
25 Work (excluding this Agree-
26 ment, the letter and supple-

1 mental agreements referred
2 to in Sections 2.2 and 2.3
3 hereof, agreements relating
4 to the ownership, operation
5 and maintenance and any
6 other agreement or amendment
7 to an agreement relating
8 to Units 2 and 3 that the
9 Companies have or may enter
10 into between themselves
11 exclusively).

12 6.1.5 All costs, including any rental
13 charges, of materials, supplies, tools,
14 machinery, equipment, apparatus and
15 construction power.

16 6.1.6 All costs of injuries and damages
17 referred to in Section 9.5 hereof,
18 workmen's compensation incurred
19 referred to in Section 5.3.8 hereof
20 and Project Insurance, except that
21 insurance described in Section 8.2
22 hereof.

23 6.1.7 All federal, state or local taxes of
24 any character imposed upon Project
25 Work.

26 6.1.8 An allowance for administrative and

1 general expenses to cover the costs of
2 services rendered by each Company in
3 the performance of Project Work. Said
4 allowance for each Company shall be the
5 sum of (1) twenty-eight and one-half
6 percent (28.5%) of the labor portion of
7 each respective Company's direct pay-
8 roll, including overheads, of employees
9 who perform Project Work, (2) three-
10 fourths of one percent (3/4%) of one-
11 half of the Construction Costs, such
12 Construction Costs first being reduced
13 by the aforementioned labor portion,
14 and (3) one-half of one percent (1/2%)
15 of the remaining one-half of the
16 Construction Costs, such Construction
17 Costs first being reduced by the afore-
18 mentioned labor portion.

19 As used in this Section 6.1.8, the
20 Construction Costs base for the appli-
21 cation of the percentages referred to
22 above shall not include:

23 6.1.8.1 Any allowance for adminis-
24 trative and general expenses.

25 6.1.8.2 Costs and expenses referred
26 to in Section 9.5 hereof.

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6.1.8.3 Legal fees incurred by
San Diego.

6.1.9 Expenses of the Operating Agent
incurred during the engineering
design period, the construction
period and the Start-Up Period of each
unit.

6.1.10 Any training expenses charged to
Construction Costs in accordance with
an agreement providing for the opera-
tion of Units 2 and 3.

6.2 Except as otherwise agreed by the Companies,
any costs incurred in connection with the retirement of the
switchyard facilities at Site A, the construction of the
Edison Switchyard and the construction of the San Diego Switch-
yard shall be borne solely by the Company owning such facility.

6.3 Neither Company shall be entitled to a fee,
price, percentage or any other compensation over and above
the costs of services rendered by it in the performance of
Project Work.

6.4 Edison shall pay eighty percent (80%) and
San Diego shall pay twenty percent (20%) of all Construction
Costs.

6.5 Budgets for the expected expenditures of
Construction Costs will be established by the Companies in
the following manner:

1 6.5.1 Within thirty working days after exe-
2 cution of this Agreement, each Company
3 shall prepare and submit to the Fiscal
4 Representatives expenditure curves of
5 its expected expenditures for Construc-
6 tion Costs for the term of this Agree-
7 ment, and a detailed budget of its
8 expected monthly expenditures for
9 Construction Costs for the 1973 and
10 1974 calendar years.

11 6.5.2 Within fifteen working days after re-
12 ceipt of each Companies' curves and
13 budget, the Companies, through their
14 Fiscal Representatives, shall jointly:

15 6.5.2.1 Develop a Composite Budget,
16 which will consist of a
17 composite expenditure curve
18 for the term of this Agree-
19 ment and a composite de-
20 tailed budget by months for
21 the 1973 and 1974 calendar
22 years.

23 6.5.2.2 Submit such Composite Budget
24 to the Coordinating Repre-
25 sentatives for their review
26 and approval.

1 6.5.3 The Coordinating Representatives shall
2 review such Composite Budget and imple-
3 ment any necessary actions so that such
4 Composite Budget will receive their
5 approval within twenty working days
6 after receipt of the Composite Budget.

7 6.5.4 Such Composite Budget shall form the
8 basis for projecting the Construction
9 Costs; provided, that the Companies'
10 failure to develop such Composite
11 Budget shall not in any way prevent
12 the Project Director from performing
13 in a timely fashion the Project Work.

14 6.5.5 By September 1 of each succeeding year
15 thereafter and until the termination of
16 this Agreement, each Company shall
17 prepare and submit to the Fiscal
18 Representatives a detailed budget of
19 its expected monthly expenditures for
20 Construction Costs for the two next
21 following years..

22 6.5.6 Within fifteen working days after re-
23 ceipt of each Company's detailed
24 budget for the two next following
25 years, the Companies, through their
26 Fiscal Representatives, shall jointly

1 revise the Composite Budget according-
2 ly and submit such revised Composite
3 Budget to the Coordinating Represen-
4 tatives for their review and approval.

5 6.5.7 The Coordinating Representatives shall
6 review such revised Composite Budget
7 and implement any necessary actions so
8 that such revised Composite Budget will
9 receive their approval by October 1 of
10 each succeeding year.

11 6.5.8 The Companies shall promptly advise
12 each other if and when it becomes
13 apparent that actual costs will differ
14 materially from projected costs sub-
15 mitted by such Company. If from time
16 to time it becomes evident that the
17 Composite Budget is in need of material
18 revision, the Companies, acting through
19 their Fiscal Representatives, shall
20 promptly revise such Composite Budget
21 and submit it to the Coordinating
22 Representatives for their approval.

23 6.6 San Diego shall submit to the Project Director,
24 no more frequently than weekly, an invoice for actual
25 Construction Costs incurred by San Diego for the period
26 covered by such invoice.

1 6.7 San Diego shall advance funds weekly to the
2 Project Director, so that the Project Director may reimburse
3 itself and pay others for Construction Costs to be incurred,
4 as follows:

5 6.7.1 On Thursday of each week, the Project
6 Director shall submit to San Diego a
7 Request for Funds (in the form des-
8 cribed in Exhibit A attached hereto),
9 to cover San Diego's portion of
10 expected expenditures for Construction
11 Costs for the calendar week following
12 such request. San Diego shall make
13 such advance payment to the Project
14 Director within three working days
15 after receipt by San Diego of such
16 request.

17 6.7.2 In making any Request for Funds, the
18 Project Director shall take into
19 account any unexpended balance in or
20 deficiency of funds previously ad-
21 vanced by San Diego and statements
22 of Construction Costs previously
23 submitted by San Diego.

24 6.7.3 Funds not advanced to the Project
25 Director by San Diego in response to
26 a Request for Funds on or before the

1 due date shall be payable with
2 interest accrued at the rate of ten
3 percent (10%) per annum or the
4 maximum legal rate of interest, which-
5 ever is lesser, computed from the due
6 date to the date of payment.

7 6.8 The Project Director shall make its records
8 relating to Construction Costs available to the Fiscal
9 Representatives at reasonable times and places.

10 6.9 A cash adjustment shall be made between
11 Edison and San Diego so that each item of the Construction
12 Costs shall be shared between the Companies in proportion
13 to their Participation Shares as follows:

14 6.9.1 When the total and final Construction
15 Costs shall have been incurred and
16 calculated, San Diego shall pay to
17 Edison for any deficit between total
18 advances made by it and its Participa-
19 tion Share of the total and final
20 Construction Costs, or shall be
21 reimbursed by Edison for any credit
22 between said total advances made by
23 it and its Participation Share of the
24 total and final Construction Costs.

25 6.9.2 Such deficit or credit shall be payable
26 with interest at an annual interest

1 rate charged to prime unsecured
2 borrowers by the Bank of America,
3 N.T. and S.A., San Francisco, then
4 in effect, accrued from the date of
5 the last cash transaction between the
6 Companies resulting from a Request for
7 Funds and until the date of payment of
8 such deficit or credit.

9 7. ADMINISTRATION:

10 7.1 As a means of securing effective cooperation
11 and interchange of information and of providing consultation
12 on a prompt and orderly basis between the Companies in
13 connection with various administrative and technical problems
14 which may arise from time to time in connection with the
15 performance of the Project Agreements, each Company shall
16 designate qualified representatives, as listed below, who
17 shall contact each other directly regarding Project Work
18 matters and shall be responsible for developing procedures
19 as required to provide for effective liaison between the
20 Companies.

21 7.1.1 A Coordinating Representative to be
22 appointed by each Company:

23 7.1.1.1 To provide liaison
24 between the Companies at the
25 Management level.

26 7.1.1.2 To review and discuss

1 issues and problems relating
2 to Units 2 and 3 and to seek
3 to resolve issues referred to
4 it by the Engineering, Fiscal,
5 Insurance, or Quality Control
6 Representatives.

7 7.1.2 An Engineering Representative to be
8 appointed by each Company:

9 7.1.2.1 To provide liaison between
10 the Companies at the
11 project engineering level
12 and to provide a point of
13 contact for all Project
14 Work except matters specif-
15 ically assigned to other
16 representatives provided for
17 in this Section 7.

18 7.1.2.2 To review and discuss issues
19 and problems and to take
20 such actions as are necessary
21 to implement the provisions
22 of this Agreement.

23 7.1.2.3 To perform such other
24 functions and duties as may
25 be assigned to them by the
26 Coordinating Representatives.

1 7.1.3 A Fiscal Representative to be appointed
2 by each Company:

3 7.1.3.1 To provide liaison between
4 the Companies and to provide
5 a point of contact for all
6 matters concerning plant
7 accounting, audits, billings,
8 construction expense account-
9 ing and other related fiscal
10 matters.

11 7.1.3.2 To review and discuss issues
12 and problems and to take
13 such actions as are necessary
14 to implement the provisions
15 of this Agreement.

16 7.1.3.3 To develop procedures for
17 providing proper accounting
18 between the Companies
19 incidental to the Construc-
20 tion Costs.

21 7.1.3.4 To perform such other
22 functions and duties as may
23 be assigned to them by the
24 Coordinating Representatives.

25 7.1.4 An Insurance Representative to be
26 appointed by each Company:

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7.1.4.1 To provide liaison between the Companies and to provide a point of contact for all matters concerning Project Insurance.

7.1.4.2 To review and discuss issues and problems and take such actions as are necessary to implement the provisions of this Agreement.

7.1.4.3 To perform such other functions and duties as may be assigned to them by the Coordinating Representatives.

7.1.5 A Quality Control Representative to be appointed by each Company:

7.1.5.1 To provide liaison between the Companies and to provide a point of contact for all matters concerning Quality Control.

7.1.5.2 To review and discuss issues and problems, and take such actions and institute such procedures as are necessary to implement the provisions

1 of this Agreement.

2 7.1.5.3 To perform such other
3 functions and duties as may
4 be assigned to them by the
5 Coordinating Representatives.

6 7.2 Within ten days after execution of this Agree-
7 ment, each Company by notice to the other Company shall
8 designate its Coordinating, Engineering, Fiscal, Insurance and
9 Quality Control Representatives.

10 7.3 Each Company shall notify the other Company
11 promptly of any change in its representatives.

12 7.4 The Companies, acting through their Coordin-
13 ating Representatives, shall have the right to establish
14 ad hoc committees when, in the opinion of the Coordinating
15 Representatives, such committees are required. The authority
16 of any such committee shall be set forth in the written
17 agreement between the Coordinating Representatives establishing
18 such committee and shall be subject to the provisions of
19 the Project Agreements.

20 7.5 Representatives established pursuant to this
21 Agreement shall have no authority to modify any of the
22 provisions of the Project Agreements; provided, that this
23 Agreement may be modified in writing and when duly executed
24 by an officer of each Company.

25 7.6 Any action, agreement or determination made
26 by the Coordinating Representatives shall be reduced to

1 writing and shall become effective when signed by the
2 Coordinating Representative of each Company.

3 8. PROJECT INSURANCE:

4 8.1 During the performance of Project Work
5 hereunder, the Project Director shall secure and maintain in
6 effect the following non-nuclear insurance coverages, to
7 the extent available, covering the Project Work. Such
8 coverages may be provided by either the Companies or
9 contractors.

10 8.1.1 Comprehensive bodily injury and
11 property damage liability insurance,
12 excluding automobile liability.

13 8.1.2 All risk-builder's risk insurance
14 covering loss or damage to Project
15 Work under course of construction,
16 including materials and supplies
17 while in transit and while stored at
18 the Plant Site.

19 8.2 During the performance of Project Work here-
20 under each Company shall secure and maintain in effect the
21 following insurance coverages for itself:

22 8.2.1 Automobile liability protection
23 covering liabilities arising out of
24 the use by such Company of owned,
25 non-owned, or hired automobiles
26 used in the performance of Project

1 Work.

2 8.2.2 Workmen's compensation benefits
3 covering such Company's own
4 employees in compliance with
5 statutory requirements of the
6 relevant jurisdiction.

7 8.3 The Companies shall, prior to the delivery of
8 nuclear fuel for Unit 2 and Unit 3 to the Plant site,
9 secure and maintain in effect the following nuclear
10 insurance and other coverages with respect to said
11 units:

12 8.3.1 Nuclear liability insurance against
13 liability arising out of or resulting
14 from a "nuclear incident" as defined
15 in Section 11g of the Atomic Energy
16 Act of 1954, as amended. Such
17 insurance shall include (a)
18 liability insurance from the Nuclear
19 Energy Liability Insurance Association
20 and the Mutual Atomic Energy
21 Liability Underwriters, or
22 equivalent insurance in such amount
23 and in such form as shall meet the
24 financial protection requirements of
25 the Atomic Energy Commission pursuant
26 to Subsection 170b of the Atomic

1 Energy Act of 1954, as amended,
2 and (b) a Government Indemnity
3 Agreement with the Atomic Energy
4 Commission pursuant to Subsection
5 170c of the Atomic Energy Act of 1954,
6 as amended.

7 8.3.2 Nuclear property damage insurance
8 from the Nuclear Energy Property
9 Insurance Association and the
10 Mutual Atomic Energy Reinsurance
11 Pool, or Nuclear Mutual, Ltd., or
12 equivalent insurance, and any
13 additional nuclear property damage
14 insurance coverage in such amount
15 and such form as are agreed upon
16 by the Companies.

17 8.4 The insurable values, limits, deductibles,
18 retentions, and other special terms, covenants and
19 conditions of the Project Insurance shall be agreed upon
20 by the Companies prior to the placement of such insurance.

21 8.5 Both Companies shall be named insureds,
22 individually and jointly, on the insurance described in
23 Sections 8.1 and 8.3 hereof, and the comprehensive bodily
24 injury and property damage liability insurance referred
25 to in Section 8.1.1 hereof shall carry cross liability
26 endorsements.

1 8.6 Project Insurance policies shall be primary
2 insurance for all purposes and shall be so endorsed; provided,
3 that the liability insurance referred to in Section 8.1.1 may
4 be excess of insurance being provided by a contractor. Any
5 other insurance carried by a Company individually shall not
6 participate with the Project Insurance as respects any loss
7 or claim for which valid and collectible Project Insurance
8 shall apply. Such other insurance shall apply solely as
9 respects the individual interests of the Company carrying
10 such other insurance.

11 8.7 Each of the policies of Project Insurance shall
12 be endorsed so as to provide that all additional named insureds
13 shall be given the same advance notice of cancellation or
14 material change as that required to be given to the Project
15 Director.

16 8.8 The Project Director shall furnish each
17 Company with either a certified copy of each of the policies
18 of Project Insurance or a certified copy of each of the policy
19 forms of Project Insurance, together with a line sheet therefor
20 (and any subsequent amendments) naming the insurers and
21 underwriters and the extent of their participation. When
22 the policies or policy forms of Project Insurance have been
23 approved in writing by both Companies, said policy forms
24 shall not be modified or changed by any Company without the
25 prior written consent of the other Company, except for
26 minor and insubstantial changes or modifications, as to

1 which notification shall be given by the Project Director to
2 the Companies.

3 8.9 The Project Director may at its option be in
4 whole or in part a self-insurer for workmen's compensation to
5 the extent the benefits thereunder may be extended to employees
6 of the Project Director at Units 2 and 3.

7 8.10 If either Company's insurance program affords
8 equal or better coverage on a more favorable cost basis than
9 that available to the Project Director, the Companies may
10 agree that such insurance program may be utilized to afford all
11 or part of the insurance required by Sections 8.1 and 8.3
12 hereof.

13 8.11 Nothing herein shall prohibit the Project
14 Director or any Company from furnishing a policy of Project
15 Insurance which combines the coverage required by this
16 Agreement with coverage outside the scope of that required
17 by this Agreement. If the Project Director or either Company
18 furnishes such a policy of Project Insurance, the Companies
19 shall agree on the portion of the total premium cost which
20 is allocable to Project Insurance. If the Companies are
21 unable to agree on such allocation, the Project Director may
22 make an estimated allocation and bill the Companies on the
23 basis thereof, with adjustment to be made when the dispute
24 is resolved.

25 8.12 Except as provided in Section 8.13 hereof,
26 if either Company desires changes in any Project Insurance

1 policy, such Company shall notify the Project Director
2 and the other Company in writing of the desired changes not
3 less than ninety days prior to the renewal or anniversary
4 date of such Project Insurance policy.

5 8.13 Each Company shall have the right by written
6 notice to the Project Director to name any mortgagee, trustee
7 or secured party on all or any of the Project Insurance
8 policies as loss payees or additional insureds as their
9 interest may appear.

10 8.14 If the Companies are unable to agree upon
11 any matters relating to the Project Insurance, the Project
12 Director, pending resolution of such disagreement, shall
13 procure such policies of insurance as in its best judgment
14 are necessary and required to protect the Companies against
15 the insurable risks for which Project Insurance is required.
16 During any period of negotiations with an insurer, or other
17 negotiations which are pending at the expiration of the
18 period of coverage of a Project Insurance policy, or if a
19 Project Insurance policy is cancelled, the Project Director
20 shall renew or bind policies as an emergency measure or may
21 procure policies of insurance which are identical to those
22 which were cancelled, or may to the extent possible secure
23 replaceable policies which will provide substantially the
24 same coverage as the policy expiring or cancelled.

25 9. LIABILITY:

26 9.1 As used in this Section 9, the following terms

1 have the following meanings exclusively:

2 9.1.1 "Damage" means any loss, damage,
3 cost, charge or expense resulting
4 from the performance or nonperformance
5 by a Company or the Companies of
6 Project Work, or the performance
7 or nonperformance by a Company or the
8 Companies of any of the Project
9 Agreements.

10 9.1.2 "Nuclear Incident" means a nuclear
11 incident as defined in Section 11q or
12 the Atomic Energy Act of 1954, as
13 amended.

14 9.1.3 "Uninsured Damage" means Damage not
15 paid for by Project Insurance.

16 9.2 Except as provided in Section 9.3 hereof,
17 neither Company will be liable to the other Company for
18 Uninsured Damage resulting from a Nuclear Incident.

19 9.3 Neither Company, its directors, officers or
20 employees shall be obligated to discharge any liability to
21 the other Company in excess of \$2,000,000 for any single
22 occurrence for any direct, indirect or consequential
23 Uninsured Damage of any kind or nature suffered by the other
24 Company, resulting from Willful Action and resulting from or
25 arising out of a Nuclear Incident. Each Company expressly
26 releases the other Company, its directors, officers and

1 employees from any such liability in excess of \$2,000,000 per
2 occurrence and from any judgment in excess of \$2,000,000 per
3 occurrence obtained against a Company, its directors,
4 officers or employees, for any such liability. Neither
5 Company shall execute, levy or otherwise enforce such a
6 judgment, or record or effect a judgment lien, against the
7 other Company, its directors, officers or employees for any
8 part of such judgment in excess of \$2,000,000 per occurrence.

9 9.4 Subject to Sections 9.2 and 9.3 hereof and
10 except for Uninsured Damage resulting from Willful Action
11 (and not resulting from or arising out of a Nuclear Incident),
12 neither Company, its directors, officers or employees shall
13 be obligated to discharge any liability to the other Company,
14 for any direct, indirect or consequential Uninsured Damage
15 of any kind or nature suffered by the other Company, whether
16 or not resulting from the negligence of a Company, its
17 directors, officers, employees or any other person or entity
18 whose negligence would be imputed to a Company. Subject to
19 the exceptions contained in this Section 9.4, each Company
20 expressly releases the other Company, its directors, officers
21 and employees for any such liability. Neither Company shall
22 execute, levy or otherwise enforce a judgment for such
23 liability, including recording or effecting a judgment lien,
24 against the other Company, its directors, officers, or
25 employees.

26 9.5 Subject to Sections 9.2 and 9.3 hereof and

1 except for liability for Uninsured Damage resulting from
2 Willful Action (and not resulting from or arising out of
3 a Nuclear Incident), and except as provided in Sections 9.6
4 and 9.7 hereof, Edison shall pay eighty percent (80%) and
5 San Diego shall pay twenty percent (20%) of:

6 9.5.1 The costs and expenses of discharging
7 liability of one or both of the
8 Companies for any direct, indirect
9 or consequential Uninsured Damage
10 of any kind or nature suffered by
11 any party other than a Company, whether
12 or not resulting from the negligence
13 of a Company, its directors, officers
14 and employees or any other person
15 or entity whose negligence would be
16 imputed to a Company; and

17 9.5.2 The costs and expenses incurred in
18 settlement of injuries and damage
19 claims, including attorneys' fees and
20 the cost of labor and related supplies
21 and expenses incurred in injuries and
22 damages activities (all as referred
23 to in FPC Account 925) resulting
24 from or arising out of such liability.

25 9.6 Except for liability for Uninsured Damage
26 resulting from Willful Action, either Company whose ultimate

1 consumer shall make a claim or demand or bring an action
2 for any damage (including death or injury) arising out of
3 electric service to such ultimate consumer shall indemnify and
4 hold harmless the other Company, its directors, officers, and
5 employees from and against any claim, demand or liability
6 for such damage. The term "ultimate consumer" means any
7 electric customer, except an electric utility system to which
8 electric power is delivered for resale.

9 9.7 Except for liability for Uninsured Damage
10 (including death or injury) resulting from Willful Action,
11 each Company shall bear the total costs of discharging all
12 legal liability imposed upon it or the other Company,
13 including attorneys' fees and other associated costs, arising
14 out of workmen's compensation claims, or employers' liability
15 claims, brought by its employees; provided, that the
16 cost of discharging such liability, including attorneys' fees
17 and other associated costs, arising out of such workmen's
18 compensation claims brought by a Company's personnel whose
19 labor expenses are charged or allocated to the Project Work
20 shall be shared eighty percent (80%) by Edison and twenty
21 percent (20%) by San Diego.

22 10. AUTHORIZATIONS AND APPROVALS: The Project Director,
23 assisted as necessary by San Diego, will be responsible for
24 obtaining the required authorizations and approvals for the
25 Project Work. Such authorizations and approvals may include,
26 but are not necessarily limited to, the following (those items

1 marked with an asterisk (*) indicate the areas in which the
2 Companies will make joint application):

3 10.1 Atomic Energy Commission

4 10.1.1 Construction permit*

5 10.1.2 Operating license*

6 10.1.3 Special nuclear material license*

7 10.2 Public Utilities Commission

8 10.2.1 Certificates of convenience and
9 necessity*

10 10.2.2 Authorization for financial agreement
11 relative to the financing of the
12 English Electric turbine-generators*

13 10.3 State Resources Agency

14 10.3.1 Siting agreement*

15 10.4 State Lands Commission

16 10.4.1 Sand disposal and temporary working
17 area permit*

18 10.4.2 Offshore conduit easement and
19 construction permit*

20 10.5 San Diego Regional Water Quality Control Board

21 10.5.1 Sand disposal permit*

22 10.5.2 Industrial waste discharge resolution*

23 10.6 State Water Resources Control Board

24 10.6.1 Certification of compliance with water
25 quality standards*

26 10.7 Army Corps of Engineers

1 10.7.1 Offshore conduit construction permit*
2 10.7.2 Sand disposal permit*
3 10.7.3 Discharge permit*
4 10.8 U.S. Coast Guard
5 10.8.1 Aid to navigation agreement
6 10.9 State Department of Public Health
7 10.9.1 Radiological monitoring program
8 approval*
9 10.9.2 Radioactive materials license
10 10.10 U.S. Marine Corps
11 10.10.1 Soil disposal agreement
12 10.10.2 Temporary easement for 220-kV trans-
13 mission lines
14 10.10.3 Sand disposal permit
15 10.10.4 Telephone line relocation approval
16 10.11 Santa Fe Railway
17 10.11.1 Temporary right-of-way encroachment
18 permit
19 10.11.2 Spur track approval
20 10.12 State Department of Highways
21 10.12.1 U.S. Highway 101 relocation
22 10.13 State Department of Highways/U.S. Marine Corps
23 10.13.1 Encroachment permit for permanent
24 access road
25 10.13.2 Temporary encroachment permits for:
26 10.13.2.1 Access road to Site A

1 10.13.2.2 220-kV and 138-kV temporary
2 lines on shoulders of old
3 U.S. 101

4 10.13.2.3 Duct bank and fireline
5 installation

6 10.14 Pacific Telephone and Telegraph Company

7 10.14.1 Approval to relocate U.S. Marine Corps
8 communication cable within PT&T
9 Company's easement

10 10.14.2 Duct bank and fireline crossing

11 10.15 California Coastal Zone Commission

12 10.15.1 Any permits required under the
13 California Coastal Zone Conservation
14 Act of 1972. *

15 10.16 Switchyard and Transmission Line Approvals

16 10.16.1 Each Company shall be responsible for
17 obtaining at its own expense, its
18 required authorizations and approvals,
19 if any, relating to its switchyard at
20 Site A, the Edison Switchyard, the
21 San Diego Switchyard, and transmission
22 lines into and out of said switchyards.

23 11. RELATIONSHIP OF PARTIES:

24 11.1 The covenants, obligations and liabilities
25 of the Companies under the Project Agreements are intended
26 to be several and not joint or collective, and nothing

1 herein contained shall ever be construed to create an
2 association, joint venture, trust or partnership, or to
3 impose a trust or partnership covenant, obligation or
4 liability on or with regard to either of the Companies.
5 Each Company shall be individually responsible for its own
6 covenants, obligations and liabilities as herein provided.
7 Neither Company shall be under the control of or shall be
8 deemed to control the other Company. No Company shall have
9 a right or power to bind the other Company without its
10 express written consent, except as expressly provided in
11 the Project Agreements.

12 11.12 The Companies hereby elect to be excluded
13 from the application of Subchapter "K" of Chapter 1 of
14 Subtitle "A" of the Internal Revenue Code of 1969, or such
15 portion or portions thereof as may be permitted or authorized
16 by the Secretary of the Treasury or his delegate insofar as
17 such subchapter, or any portion or portions thereof, may
18 be applicable to the Companies under the Project Agreements.

19 12. ARBITRATION:

20 12.1 If the Companies, acting through their
21 respective Coordinating Representatives, are unable to reach
22 agreement with respect to a matter herein specified to be
23 approved, established, determined, or resolved by agreement
24 of the Companies, or by their representatives appointed
25 pursuant to this Agreement, either Company may call for
26 submission of such matter or dispute to arbitration in the

1 manner herein set forth, which call shall be binding upon
2 the other Company to the dispute. The Project Director shall
3 continue to do all things and make all expenditures necessary
4 for the Project Work pending the final decision of the
5 arbitrators.

6 12.2 The Company calling for arbitration shall
7 give notice to the other Company, setting forth in such
8 notice in adequate detail the issues to be arbitrated, and
9 within ten days from receipt of such notice the other
10 Company may by notice to the first Company set forth in
11 adequate detail additional related issues to be arbitrated.

12 12.3 Within twenty days from its notice calling
13 for the arbitration, the first Company shall appoint a
14 person to serve as one arbitrator, and shall give notice
15 to the other Company of such appointment, and within
16 fifteen days after receipt of notice of appointment of the
17 first arbitrator, the other Company shall appoint a person
18 to serve as a second arbitrator, and shall give notice to
19 the first Company of such appointment. The two persons so
20 appointed shall then agree upon and secure a third arbitrator.
21 If the second arbitrator should not be appointed within
22 fifteen days from the appointment of the first or if the
23 third arbitrator should not be secured within fifteen days
24 from the appointment of the second, either Company may with
25 notice to the other Company call upon the American Arbitration
26 Association (or upon a similar organization if the American

1 Aribtration Association should not at that time exist) for
2 appointment of an arbitrator or arbitrators skilled with
3 respect to the matter to be arbitrated, and whose appointment
4 shall be binding on both Companies. No person shall be
5 eligible for appointment by the American Arbitration
6 Association who is an officer, employee, shareholder of, or
7 otherwise interested in either of the Companies or in the
8 matter to be arbitrated.

9 12.4 The arbitrators so appointed shall hear
10 evidence submitted by both Companies and may call for
11 additional information, which additional information the
12 Companies or Company called upon shall furnish to the
13 extent feasible. A decision or determination signed by a
14 majority of the arbitrators shall be conclusive with respect
15 to the issues submitted and shall be binding upon both
16 Companies.

17 12.5 Except as otherwise provided in Sections 12.1,
18 12.2, 12.3, and 12.4 hereof, the arbitration shall be governed
19 by the rules of practice and procedure of the American
20 Arbitration Association from time to time in force, except
21 that, if such rules and practice as herein modified shall
22 conflict with the California Code of Civil Procedure or any
23 other provision of California law then in force, such
24 California rules and provisions shall govern. This submission
25 and agreement to arbitrate shall be specifically enforceable.
26 The award of the arbitrators or a majority of them upon any

1 question submitted to them hereunder shall be final and
2 binding upon the Companies to the extent and in the manner
3 provided by the California Code of Civil Procedure.

4 12.6 Each Company shall bear the fee and personal
5 expenses of the arbitrator appointed by it, together with
6 the fees and expenses of its own counsel and of its own
7 witnesses, and all other costs and expenses of the arbitration
8 shall be borne equally by the Companies, unless a decision of
9 the arbitrators shall specify a different apportionment of
10 any or all of such costs and expenses.

11 13. PAYMENT OF TAXES

12 13.1 The Companies shall use their best efforts
13 to have any taxing authority imposing any property taxes
14 or other taxes, excluding any sales or use taxes, and
15 assessments on Units 2 and 3 assess and levy such taxes and
16 assessments directly against each Company in proportion to its
17 Participation Share.

18 13.2 All taxes or assessments levied against each
19 Company shall be the sole responsibility of the Company upon
20 whom such taxes and assessments were levied directly against
21 one Company in behalf of both Companies.

22 13.3 If any property taxes and other taxes and
23 assessments on Units 2 and 3 are levied and assessed in a
24 manner other than specified in Section 13.1 hereof, such
25 taxes or assessments will be paid by the Company against
26 whom such tax or assessment is levied. The amount of such

1 taxes or assessments will be charged to the proper account
2 for cost sharing in proportion to the Participation Shares.

3 14. START-UP:

4 14.1 Edison, as Operating Agent, shall establish
5 a separate account for accumulation of all costs relating to
6 the Start-Up Period of Units 2 and 3. Charges in such account
7 shall include (a) the cost (normally capitalized in accordance
8 with FPC Accounts) of all expenses (excluding the cost of the
9 Engineer-Constructor start-up crews) and (b) an allowance
10 for the payroll loading and administrative and general expense
11 determined in accordance with Section 6 hereof.

12 14.2 Edison, as Project Director, shall charge all
13 such costs accumulated in such account to Construction Costs.

14 14.3 During the Start-Up Period for Unit 2 and
15 Unit 3, the Companies shall be obligated to take delivery
16 of power and energy generated by and available from each
17 such unit in proportion to their Participation Shares.

18 15. NOTICES: All notices under this Agreement shall
19 be in writing and shall be delivered in person or sent by
20 registered or certified mail to the applicable of the
21 following addressees:

22 Southern California Edison Company
23 c/o Secretary
24 Post Office Box 800
Rosemead, California 91770

25 San Diego Gas & Electric Company
26 c/o Vice President - Electric
Post Office Box 1831
San Diego, California 92112

1 By notice sent to the other Company,
2 either Company may designate different persons or different
3 addresses for the giving of notices hereunder.

4 16. UNCONTROLLABLE FORCES: Neither Company shall be
5 considered to be in breach of any of the obligations hereunder
6 to the extent failure of performance shall be due to
7 uncontrollable forces. The term "uncontrollable forces" shall
8 mean any cause beyond the control of a Company unable to
9 perform such obligation, including, but not limited to,
10 failure of facilities, flood, earthquake, storm, fire,
11 lightning, and other natural catastrophies, epidemics, war,
12 riot, civil disturbance, labor dispute, sabotage, Government
13 priorities, restraint by Court order or public authority,
14 and action or non-action by or failure to obtain the necessary
15 authorizations or approvals from any Government agency or
16 authority, which by exercise of reasonable diligence and
17 foresight such Company could not reasonably have been expected
18 to avoid and which by exercise of reasonable diligence it
19 has been unable to overcome. Any Company rendered unable to
20 fulfill any obligation by reason of uncontrollable forces
21 shall exercise due diligence to remove such inability with
22 all reasonable dispatch. Nothing contained herein shall be
23 construed so as to require a Company to settle any strike or
24 labor dispute in which it may be involved.

25 17. TERMINATION:

26 17.1 Either Company may terminate its obligations

1 under this Agreement by notice to the other Company if, after
2 using its best efforts, it is unable to obtain any required
3 authorization or approval referred to in Section 10 hereof
4 or any other authorization or approval as required by law or
5 if any such authorization or approval, when issued, made or
6 effected shall include an unforeseen condition that would
7 have a substantial adverse economic effect on such Company.

8 17.2 In the event of a termination by either
9 Company pursuant to Section 17.1 hereof, all costs and
10 expenses (including interest during construction) incurred by
11 the terminating Company in connection with Units 2 and 3 and
12 the terminating Company's Participation Share of accumulated
13 Construction Costs incurred up to the date of such termination
14 shall be borne by the terminating Company.

15 17.3 The interests of such terminating Company in
16 Units 2 and 3 may be acquired by the other Company for an
17 amount equal to the terminating Company's then contribution
18 to Construction Costs and all other costs and expenses (includ-
19 ing the allowance for funds used during construction) incurred
20 by such terminating Company in connection with Units 2 and 3.

21 17.4 If the Company not terminating does not wish
22 to acquire the interests of the terminating Company, all
23 costs and expenses incurred to implement such total termination
24 of Units 2 and 3 shall be shared in proportion to the
25 Participation Share of each Company.

26 18. ADDITIONAL AGREEMENTS AND CONSENTS: Each Company

1 agrees to negotiate in good faith and to proceed with
2 diligence to obtain all agreements and consents required
3 by it to be obtained, necessary to implement this Agreement,
4 between such Company and the other Company or other parties.

5 19. OTHER AGREEMENTS: This Agreement supersedes the
6 letter agreement between the Companies concerning liability
7 and insurance dated August 21, 1970, and shall operate to
8 terminate the letter agreement between the Companies concerning
9 project costs prior to a definitive Construction Agreement
10 dated September 9, 1970, both in connection with Units 2 and 3.

11 20. COMPLETION OF PROJECT WORK: The Project Work shall
12 be deemed to have been completed as follows:

13 20.1 When the Project Director deems the Project
14 Work to be completed in accordance with this Agreement, the
15 Project Director shall serve notice of that fact upon San
16 Diego. If San Diego does not object within one hundred and
17 twenty days after its receipt thereof, by notice to Edison,
18 acting as Project Director, which notice shall specify the
19 items of Project Work claimed not to be completed, the
20 Project Work shall be deemed to have been completed one
21 hundred and twenty days after receipt of such notice by
22 San Diego from the Project Director.

23 20.2 If objection is made by San Diego under
24 Section 20.1 hereof, the Project Work shall be deemed to
25 have been completed when both Companies agree, or when a
26 binding determination through arbitration or otherwise has

1 been made to that effect.

2 21. TERM: Except as provided in Section 19 hereof,
3 this Agreement shall become effective as of January 22, 1970,
4 when it has been duly executed by Edison and San Diego, and
5 shall continue in force until the obligations of the
6 Companies have been performed or otherwise discharged.

7 IN WITNESS WHEREOF, the Companies have caused this
8 Agreement to be executed in duplicate on their behalf as of
9 the date first written above.

10
11 ATTEST:

SAN DIEGO GAS & ELECTRIC COMPANY

12
13
14 J. Abraham
15 SECRETARY

By W. R. Hughes
16 SENIOR VICE PRESIDENT

17 ATTEST:

SOUTHERN CALIFORNIA EDISON COMPANY

18
19
20 Elaine Botensten
21 ASSISTANT SECRETARY

By David J. Fogarty
22 VICE-PRESIDENT
23
24
25
26

APPROVED AS TO FORM:
ROLLIN E. WOODBURY
Vice President & General Counsel
By Rollin E. Woodbury
4-2-74 Senior Counsel

REQUEST FOR FUNDS - SAN ONOFRE UNITS 2 & 3

	SAN DIEGO GAS AND ELECTRIC 20%	SOUTHERN CALIFORNIA EDISON 80%	TOTAL
Request for Week Ending			
Engineer - Constructor Requirements - Construction			
Engineer - Constructor Requirements - Engineering			
Turbine Generator			
Nuclear Steam Supply System			
Project Director's Labor			
Consultants			
Other Project Director's Costs			
TOTAL			

Project Requests to Date			
Engineer - Constructor Requirements - Construction			
Engineer - Constructor Requirements - Engineering			
Turbine Generator			
Nuclear Steam Supply System			
Project Director's Labor			
Consultants			
Other Project Director's Costs			
TOTAL			

MEMORANDUM: Project Manager To Transfer Funds To

PREPARED BY

PLANT ACCOUNTING DIVISION,
COST CONTROLLING DEPARTMENT

Southern California Edison Company



REQUEST NO.

DATE

127

EXHIBIT 1

1
2
3
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6
7 AMENDMENT NO. 1
8

9 SAN ONOFRE UNITS 2 AND 3
10 CONSTRUCTION AGREEMENT
11

12 BETWEEN
13

14 SAN DIEGO GAS & ELECTRIC COMPANY
15 AND
16 SOUTHERN CALIFORNIA EDJSON COMPANY
17
18
19
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26

1 AMENDMENT NO. 1
2 SAN ONOFRE UNITS 2 AND 3
3 CONSTRUCTION AGREEMENT

4 1. PARTIES: The Parties to this Amendment No. 1 to the San
5 Onofre Units 2 and 3 Construction Agreement ("Construction
6 Agreement") are: SAN DIEGO GAS & ELECTRIC COMPANY
7 ("SAN DIEGO"), a California corporation, and SOUTHERN
8 CALIFORNIA EDISON COMPANY ("EDISON"), a California
9 corporation.

10 2. RECITALS: This Amendment No. 1 to the Construction
11 Agreement is made with reference to the following facts,
12 among others:

13 2.1 The Parties entered into the San Onofre Units
14 2 and 3 Construction Agreement, dated May 24, 1973, to
15 provide for their respective rights and obligations with
16 respect to the construction of Units 2 and 3 at San Onofre.

17 2.2 The Parties desire to amend certain provisions
18 of the Construction Agreement to more clearly provide
19 for their respective rights and obligations with respect
20 to the construction of switchyard facilities at San
21 Onofre, to provide for a single arbitrator to resolve
22 disputes and to revise the responsibility for preparation
23 of the Composite Budget.

24 3. AGREEMENT: The Parties agree as follows:

25 3.1 Add Section 4.34 to the Construction Agreement
26 as follows:

"4.34 Interconnection Facilities: The power circuit

1 breakers, conductors, bus support structures, disconnect
2 switches, current transformers, potential transformers,
3 relaying, metering, relaying and metering interface
4 cabinets and taps to the 220 kV buses located in or
5 associated with the bus sectionalizing position through
6 which the Edison Switchyard and the San Diego Switchyard
7 are connected and the common air conditioning unit
8 and associated controls for the relay houses."

9 3.2 Amend Section 4.7 of the Construction Agreement
10 to read as follows:

11 "4.7 Edison Switchyard: The 220 kV switchrack
12 and related facilities at San Onofre connected to and
13 located to the north of the Interconnection Facilities
14 except for the power circuit breakers, transformer
15 side disconnect switches, conductors, and dead-end
16 assemblies associated with the main transformer leads
17 and reserve auxiliary transformer leads, or any environ-
18 mental radiation monitoring equipment installed therein.
19 In addition, the controls associated with the Edison
20 Switchyard located in the Units 2 and 3 control-administra-
21 tion building are considered to be part of the Edison
22 Switchyard."

23 3.3 Amend Section 4.21 of the Construction Agreement
24 to read as follows:

25 "4.21 Project Work: All engineering, design
26 construction, contract preparation, purchasing, super-

1 vision, expediting, inspection, accounting, testing,
2 start-up, and regulatory licensing of and for Units 2 and
3 3, the Interconnection Facilities, and other related
4 facilities (but not the switchyard facilities at Site A,
5 the Edison Switchyard and the San Diego Switchyard) as such
6 work is more particularly described in Section 5 hereof."

7 3.4 Amend Section 4.25 of the Construction Agreement
8 to read as follows:

9 "4.25 San Diego Switchyard: The 220 kV switchrack
10 and related facilities at San Onofre connected to and
11 located to the south of the Interconnection Facilities
12 except for the power circuit breakers, transformer side
13 disconnect switches, conductors, and dead-end
14 assemblies associated with the main transformer leads
15 and reserve auxiliary transformer leads, or any environ-
16 mental radiation monitoring equipment installed therein."

17 3.5 Amend Section 6.1.3 of the Construction Agree-
18 ment to read as follows:

19 "6.1.3 All components of the costs of construction
20 including overhead costs associated with construction,
21 temporary facilities, land and land rights, structures
22 and improvements, and equipment for Units 2 and 3, and
23 the Interconnection Facilities, as set forth in the
24 FPC Accounts."

25 3.6 Amend Section 6.4 of the Construction Agreement
26 to read as follows:

1 "6.4 Edison shall pay eighty percent (80%) and
2 San Diego shall pay twenty percent (20%) of all Construc-
3 tion Costs except for those Construction Costs incurred
4 in connection with the Interconnection Facilities. Edison
5 shall pay fifty percent (50%) and San Diego shall pay
6 fifty percent (50%) of all Construction Costs incurred
7 in connection with the Interconnection Facilities; pro-
8 vided, however, that the costs of engineering and design
9 for the Interconnection Facilities shall be shared as
10 provided by the San Onofre Switchyard Letter Agreement
11 between Edison and San Diego, dated May 6, 1974."

12 3.7 Amend Section 6.5.5 of the Construction Agree-
13 ment to read as follows:

14 "6.5.5 Annually or more often, each Company shall
15 prepare and submit to the Engineering Representatives
16 a detailed budget of its expected monthly expenditures
17 for Construction Costs for the two next following years."

18 3.8 Amend Section 6.5.6 of the Construction Agree-
19 ment to read as follows:

20 "6.5.6 The Companies, through their Engineering
21 Representatives, shall jointly revise the Composite
22 Budget accordingly and submit such revised Composite
23 Budget to the Coordinating Representatives for their
24 review and approval."

25 3.9 Amend Section 6.5.8 of the Construction Agree-
26 ment to read as follows:

1 "6.5.8 The Companies shall promptly advise each
2 other if and when it becomes apparent that actual
3 costs will differ materially from projected costs sub-
4 mitted by such Company. If from time to time it becomes
5 evident that the Composite Budget is in need of material
6 revision, the Companies, acting through their Engineer-
7 ing Representatives, shall promptly revise such Composite
8 Budget and submit it to the Coordinating Representatives
9 for their approval."

10 3.10 Amend Section 12.1, Page 45, Line 5, of the
11 Construction Agreement by deleting the word "arbitrators"
12 and inserting the word "arbitrator".

13 3.11 Amend Section 12.3 of the Construction Agree-
14 ment to read as follows:

15 "12.3 Within twenty (20) days after the date of
16 receipt of the initial notice of arbitration, the Parties,
17 acting through their Coordinating Representatives, shall
18 meet for the purpose of selecting one (1) arbitrator. In
19 the event the Coordinating Representatives shall fail
20 to select such arbitrator as herein provided, then such
21 representatives shall request the American Arbitration
22 Association (or a similar organization if the American
23 Arbitration Association should not at that time exist)
24 to provide a list of arbitrators, the number of which
25 shall be one (1) more than there are sides to the dispute.
26

1 The arbitrator selected above, if any, and all arbitrators
2 on such list shall be available to serve and shall be
3 skilled and experienced in the field which gives rise
4 to the dispute, and no person shall be eligible for
5 appointment as an arbitrator who is an officer, employee
6 or shareholder of any of the parties to the dispute or
7 is otherwise interested in the matter to be arbitrated.
8 Within thirty (30) days after the date of receipt of
9 such list, the Coordinating Representatives shall take
10 turns striking names from said list. The last name
11 remaining on said list shall be the selected arbitrator.
12 Within ten (10) days after such selection, the Parties
13 shall submit to such arbitrator the written notices pre-
14 pared pursuant to Section 12.2 hereof."

15 3.12 Amend Section 12.4 of the Construction Agree-
16 ment to read as follows:

17 "12.4 The arbitrator shall consider evidence sub-
18 mitted by the Parties and may call for additional informa-
19 tion. The Parties shall use their best efforts to
20 furnish such additional information. The decision of
21 the arbitrator shall be binding upon all the Parties."

22 3.13 Amend Section 12.5, Page 46, Line 26, of the
23 Construction Agreement by deleting the words "arbitrators
24 or a majority of them" and inserting the word "arbitrator".

25 3.14 Amend Section 12.6 of the Construction Agree-
26 ment to read as follows:

"12.6 The fees and expenses of the arbitrator shall be shared by the Parties equally, unless the decision of the arbitrator shall specify some other apportionment of such fees and expenses. All other expenses and costs of the arbitration shall be borne by the Party incurring the same."

3.15 Except as provided herein, the Construction Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment No. 1 to the Construction Agreement to be executed in duplicate as of the 8th day of March, 1977.

ATTEST:

W. J. Kames
SECRETARY

3/8/77

SAN DIEGO GAS & ELECTRIC COMPANY

By:

B. W. Colston
By: B. W. Colston, Vice President - Project Management

APPROVED AS TO FORM

DATE March 7, 1977

W. J. Kames
WILLIAM P. MASTER, JR.
Attorney

ATTEST:

SOUTHERN CALIFORNIA EDISON COMPANY

By:

A. Arenal
A. Arenal, Vice President

APPROVED FOR BOARD
ROBERT F. WOODWARD
Vice President - General Counsel
By *[Signature]*
Senior Counsel
March 2, 1977

EXHIBIT G

SAN ONOFRE OWNERSHIP AGREEMENT

SAN ONOFRE OWNERSHIP AGREEMENT

BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY

AND

SOUTHERN CALIFORNIA EDISON COMPANY

SAN ONOFRE OWNERSHIP AGREEMENT

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1
2 SAN ONOFRE OWNERSHIP AGREEMENT
3

4 THIS AGREEMENT, made as of this 5th day of
5 October, 1967, between SAN DIEGO GAS & ELECTRIC
6 COMPANY, hereinafter called "San Diego", and SOUTHERN
7 CALIFORNIA EDISON COMPANY, hereinafter called "Edison",
8 corporations organized and existing under and by virtue of
9 the laws of the State of California, hereinafter referred to
10 individually as "Company" and collectively as "Companies".

11 W I T N E S S E T H:

12 WHEREAS, San Diego and Edison have entered into
13 an agreement entitled "Edison-San Diego Agreement" of
14 March 8, 1963, to provide for their joint participation in
15 the procurement, construction and operation of the San Onofre
16 Nuclear Generating Station.

17 WHEREAS, Edison and San Diego propose to enter
18 into the Amended San Onofre Operating Agreement and the San
19 Onofre Interconnection Agreement.

20 WHEREAS, Edison and San Diego desire to
21 supplement the aforesaid Edison-San Diego Agreement in regard
22 to incidents of ownership as tenants in common, waiver of
23 partition, transfer of ownership and other matters with
24 respect to the San Onofre Nuclear Generating Station.

25 NOW THEREFORE, in consideration of the terms
26 and conditions herein set forth to be performed by each of

1 the Companies, respectively, the Companies agree as follows:

2 1. DEFINITIONS

3 Whenever used herein, the following terms shall
4 have the following meanings, exclusively:

5 1.1 Access Road Area:

6 An area of land described in an easement
7 granting rights for access and other purposes
8 relating to the San Onofre Nuclear Generating
9 Station by the United States to Edison and San
10 Diego on May 12, 1964, recorded in the Official
11 Records, Office of the County Recorder of San
12 Diego County, in Series 5, Book 1964, Page No.
13 85889. Such land area consisting of approxi-
14 mately 3.68 acres in the northwest corner of the
15 Marine Corps Base, Camp Pendleton, California,
16 is shown in Exhibit A and further described in
17 Exhibit A-1, both attached hereto.

18 1.2 Additional Generating Unit:

19 Any facility for the generation of electrical
20 energy (including all auxiliary and associated
21 equipment) constructed or installed at the San
22 Onofre Nuclear Generating Station other than
23 Unit 1 or generating facilities necessary for the
24 operation of Unit 1.

25 1.3 Amended San Onofre Operating Agreement:

26 The agreement the Companies propose to enter

1 into which will provide for the operation and
2 maintenance of Unit 1 and other portions of the
3 San Onofre Nuclear Generating Station to the
4 extent provided therein.

5 1.4 Capital Addition:

6 Any item of property which is added to Unit 1
7 and which does not replace any pre-existing unit
8 of property constituting a part of Unit 1 or any
9 added land or land right, which does not replace
10 any existing land or land right, necessary for
11 the operation of Unit 1 and which, in accordance
12 with Prescribed Accounting Practice, would be
13 capitalized.

14 1.5 Capital Betterment:

15 The enlargement or improvement of any unit of
16 property constituting a part of Unit 1 or the
17 replacement thereof, where such replacement
18 constitutes an enlargement or improvement of the
19 unit of property replaced and which, in
20 accordance with Prescribed Accounting Practice,
21 would be capitalized.

22 1.6 Capital Improvement:

23 A Capital Replacement, Capital Betterment or
24 Capital Addition.

25 1.7 Capital Replacement:

26 The replacement of any unit of property

1 constituting a part of Unit 1 where such
2 replacement does not constitute an enlargement
3 or improvement of the unit of property replaced
4 and which, in accordance with Prescribed
5 Accounting Practice, would be capitalized.

6 1.8 Edison Switchyard:

7 The 220-kv switchrack and related facilities
8 located within the Edison Switchyard Area and
9 any facilities subsequently installed or con-
10 structed therein by Edison, but not including
11 the conductors and dead-end assemblies for the
12 220-kv Unit 1 main transformer leads or any
13 environmental radiation monitoring equipment
14 installed therein. For purposes of this
15 Agreement, the following items located in the
16 Unit 1 control-administration building are also
17 considered to be part of the Edison Switchyard:

18 1.8.1 Controls, indicating lights and
19 instruments associated with Edison's
20 220-kv switchrack facilities.

21 1.8.2 Tap changing controls and associated
22 indicating meters for San Diego's
23 220/138-kv autotransformers.

24 1.8.3 Meters and devices for interconnection
25 metering and Edison's associated tele-
26 metering equipment.

1 1.9 Edison Switchyard Area:

2 An area of land used as the site of the Edison
3 Switchyard and, at present, as the site of the
4 Nuclear Information Center. Such land area
5 consisting of approximately 3.66 acres within
6 the Plant Site is shown in Exhibit A and further
7 described in Exhibit A-2 both attached hereto.

8 1.10 FPC Accounts:

9 The Federal Power Commission's "Uniform System
10 of Accounts Prescribed for Public Utilities and
11 Licensees (Class A and Class B), in Effect on
12 March 1, 1965, Subject to the Provisions of the
13 Federal Power Act".

14 1.11 Nuclear Information Center:

15 The structures and associated facilities
16 designated in Exhibit A (attached hereto) as
17 the Nuclear Information Center located within the
18 unfenced portion of the Edison Switchyard Area
19 and any subsequent improvements of or additions
20 to said structures and facilities.

21 1.12 Off-Shore Land:

22 A strip of tide and submerged land used for
23 circulating water conduits for the San Onofre
24 Nuclear Generating Station described in an ease-
25 ment-lease for such purpose from the State of
26 California to Edison and San Diego beginning on

1 September 24, 1964 and recorded in the Official
2 Records, Office of the County Recorder of San
3 Diego County, in Series 5, Book 1964, Page No.
4 235236. Such land area consisting of approxi-
5 mately 7.599 acres is shown in Exhibit A and
6 further described in Exhibit A-3, both attached
7 hereto.

8 1.13 Operating Emergency:

9 Any unanticipated event or circumstance which,
10 at the time of such event or circumstance, either
11 reduces or will have the reasonably anticipated
12 effect of reducing the generation of electrical
13 energy by Unit 1 or either impairs or will have
14 the reasonably anticipated effect of impairing
15 the operation of the switchyard facilities.

16 1.14 Plant Site:

17 An area of land used for the major portion of
18 the San Onofre Nuclear Generating Station
19 described in an easement granted for such pur-
20 pose by the United States to Edison and San
21 Diego on May 12, 1964 and recorded in the
22 Official Records, Office of the County Recorder
23 of San Diego County, in Series 5, Book 1964,
24 Page No. 85887. Such land area consisting of
25 approximately 83.63 acres in the northwest
26 corner of the Marine Corps Base, Camp Pendleton,

1 California, is shown in Exhibit A and further
2 described in Exhibit A-4, both attached hereto.

3 1.15 Prescribed Accounting Practice:

4 Generally accepted accounting principles, in
5 accordance with FPC Accounts, applicable to
6 electric utility operations.

7 1.16 Project Easements:

8 The interests acquired under (1) three easements
9 in favor of Edison and San Diego granted by the
10 United States of America, covering respectively,
11 the Plant Site, including the associated
12 exclusion area, the Access Road Area, and the
13 Spur Track Area, all recorded in the Official
14 Records of San Diego County and hereinafter some-
15 times referred to respectively as the Plant Site
16 Easement, the Access Road Easement and the Spur
17 Track Easement; (2) the easement-lease covering
18 the Off-Shore Land; (3) a license granted to the
19 Companies by the Atchison, Topeka and Santa Fe
20 Railway perfecting the rights of the Companies
21 for those portions of the Access Road Area
22 lying within the railroad right of way; and (4)
23 any Subsequent Acquisition.

24 1.17 San Diego Switchyard:

25 The 220-kv and 138-kv switchracks, 220/138-kv
26 autotransformers, and related facilities located

1 within the San Diego Switchyard Area and any
2 facilities subsequently installed or constructed
3 therein by San Diego, but not including the con-
4 ductors and dead-end assemblies for the 138-kv
5 auxiliary "C" transformer leads.

6 1.18 San Diego Switchyard Area:

7 An area of land used as the site of the San Diego
8 Switchyard. Such land area consisting of approxi-
9 mately 2.72 acres within the Plant Site is shown
10 in Exhibit A and further described in Exhibit A-5
11 both attached hereto.

12 1.19 San Onofre Interconnection Agreement:

13 The agreement the Companies propose to enter
14 into which will provide for the operation and
15 maintenance of the Edison and San Diego Switch-
16 yards through which their respective systems are
17 interconnected.

18 1.20 San Onofre Nuclear Generating Station:

19 The entire nuclear generating facility located
20 on a site of approximately 90 acres in the
21 northwest corner of the Marine Corps Base, Camp
22 Pendleton, California, consisting of the Plant
23 Site (including the Edison Switchyard Area and
24 San Diego Switchyard Area), the Access Road Area,
25 the Spur Track Area, the Off-Shore Land, any
26 Subsequent Acquisitions, Unit 1, the Nuclear

1 Information Center, the Edison Switchyard, the
2 San Diego Switchyard, and any Additional
3 Generating Units subsequently constructed or
4 installed.

5 1.21 Spur Track Area:

6 An area of land used for a railroad spur track,
7 pipelines, and communication lines for the San
8 Onofre Nuclear Generating Station described in
9 an easement granted for such purpose by the
10 United States to Edison and San Diego on May 12,
11 1964 and recorded in the Official Records,
12 Office of the County Recorder of San Diego
13 County, in Series 5, Book 1964, Page No. 85888.
14 Such land area consisting of approximately 5.14
15 acres in the northwest corner of the Marine Corps
16 Base, Camp Pendleton, California, is shown in
17 Exhibit A and further described in Exhibit A-6,
18 both attached hereto.

19 1.22 Subsequent Acquisition:

20 Any future acquisition by either Edison or San
21 Diego of land or land rights necessary for the
22 operation of Unit 1.

23 1.23 Unit 1:

24 The first nuclear generating unit, consisting
25 of a nuclear steam supply system, a turbine-
26 generator designed to generate approximately

1 450 megawatts (gross) of electric power, and
2 all related equipment and facilities which are
3 necessary for the safe and efficient generation
4 of electricity, installed on the Plant Site, the
5 Access Road Area, the Spur Track Area, and the
6 Off-Shore Land, but excluding the Edison Switch-
7 yard, San Diego Switchyard, and the Nuclear
8 Information Center.

9 2. OWNERSHIP

10 2.1 Unit 1: Edison and San Diego shall receive
11 title to Unit 1 and thereafter own Unit 1 as
12 tenants in common as follows:

13 2.1.1 Edison shall own an undivided eighty (80)
14 percent interest therein;

15 2.1.2 San Diego shall own an undivided twenty
16 (20) percent interest therein.

17 2.2 Switchyards: Edison and San Diego shall receive
18 title to and thereafter own the Switchyards con-
19 structed at the San Onofre Nuclear Generating
20 Station as follows:

21 2.2.1 Edison shall be the sole owner of the
22 Edison Switchyard;

23 2.2.2 San Diego shall be the sole owner of
24 the San Diego Switchyard;

25 provided, however, that this Section 2.2 shall
26 in no way affect the interests of the Companies

1 in the Plant Site Easement.

2 2.3 Nuclear Information Center: Notwithstanding any
3 agreement between the Companies concerning the
4 sharing of costs of operating the Nuclear Infor-
5 mation Center, Edison and San Diego shall receive
6 title to and thereafter own as tenants in common
7 the Nuclear Information Center as follows:

8 2.3.1 Edison shall own an undivided eighty
9 (80) percent interest therein;

10 2.3.2 San Diego shall own an undivided twenty
11 (20) percent interest therein.

12 2.4 Additional Generating Units: In the event that
13 Additional Generating Units are installed or
14 constructed at the San Onofre Nuclear Generating
15 Station, Edison and San Diego shall receive
16 title to and thereafter own as tenants in common
17 all the facilities comprising each such
18 Additional Generating Unit in accordance with
19 Section 3 hereof and the agreements executed by
20 the Companies in connection with the installation
21 or construction of such unit.

22 2.5 Project Easements: Edison and San Diego shall
23 receive title to the Project Easements and
24 thereafter own the Project Easements as tenants
25 in common as follows:

26 2.5.1 Edison shall own an undivided eighty (80)

1 percent interest therein;

2 2.5.2 San Diego shall own an undivided twenty (20)
3 percent interest therein.

4 2.6 Subsequent Acquisitions: In the event that
5 either Company makes a Subsequent Acquisition,
6 it shall be deemed to have done so jointly with
7 the other Company. Edison and San Diego shall
8 receive title to and thereafter own as tenants
9 in common any interest acquired in a Subsequent
10 Acquisition, as follows:

11 2.6.1 Edison shall own an undivided eighty (80)
12 percent interest therein;

13 2.6.2 San Diego shall own an undivided twenty
14 (20) percent interest therein.

15 Immediately following any Subsequent
16 Acquisition the Companies will execute and
17 record appropriate instruments establishing their
18 respective ownership interests as set forth in
19 this Section 2.6.

20 2.7 Capital Improvements: Edison and San Diego
21 shall receive title to and thereafter own any
22 Capital Improvements as tenants in common as
23 follows:

24 2.7.1 Edison shall own an undivided eighty (80)
25 percent interest therein;

26 2.7.2 San Diego shall own an undivided twenty (20)

percent interest therein.

3. ADDITIONAL GENERATING UNITS

3.1 In order to utilize effectively the site of the San Onofre Nuclear Generating Station and to coordinate its development with the generating resources requirements of each Company, Edison and San Diego will conduct joint studies for the construction and operation of Additional Generating Units at the San Onofre Nuclear Generating Station. The Companies will prepare a plan for site development, (hereinafter called the "Plan"), including any Additional Generating Units, no later than January 1, 1968. Said Plan will thereafter be maintained and amended by the Companies to show any changes made thereto pursuant to Sections 3.2 and 3.3 hereof. At all times the Plan will set forth the expected size, proposed date of commitment, date of commercial operation, technical description, and estimated costs of any proposed Additional Generating Units. The Plan will also specify the participation, if any, desired by San Diego, which participation will not be less than ten (10) percent nor more than fifty (50) percent. Said Plan shall not operate to obligate or bind either Company in any manner except as provided

1 in Section 3.4 hereof.

2 3.2 Proposed amendments to the Plan will be sub-
3 mitted in writing by the proposing Company to
4 the other Company. If both Companies agree to
5 such amendment, it shall be signed by the
6 appropriate representatives of each Company, and
7 such amendment will thereafter become a part of
8 the Plan.

9 3.3 In the event the Companies disagree with respect
10 to a proposed amendment or any part thereof, an
11 amendment will be prepared in writing embodying
12 all matters upon which the Companies agree and
13 the Edison proposals in matters where the
14 Companies do not agree; provided, however, that
15 any disagreement with respect to San Diego's
16 proportionate participation shall be resolved in
17 accordance with San Diego's proposal. Said
18 amendment will be signed by appropriate represen-
19 tatives of both Companies and will thereafter
20 become a part of the Plan. Except as provided
21 in Section 3.4 hereof, any amendment prepared in
22 accordance with this Section 3.3 which has not
23 been signed within thirty (30) days of its sub-
24 mission to the Companies shall, at the
25 expiration of said thirty (30) days, be deemed
26 an effective amendment to the Plan.

1 3.4 On the date of commitment specified in the Plan,
2 an appropriate officer of each Company shall
3 attend a Final Amendment Meeting (hereinafter
4 referred to as the "Meeting"). At the Meeting,
5 the Plan will be reviewed and confirmed or final
6 amendments to the Plan, if any, shall be pre-
7 pared. No amendments received after the Meeting
8 has adjourned shall become effective unless
9 permitted under Sections 3.4.1 or 3.4.2 hereof.

10 3.4.1 If an amendment pursuant to Section 3.3
11 is prepared at the Meeting and said amendment
12 substantially changes the Plan, San Diego may at
13 any time within the next thirty (30) days amend
14 the Plan to change its percentage participation
15 within the range of ten (10) to fifty (50) per-
16 cent, or San Diego may decline to participate in
17 the proposed Additional Generating Unit; pro-
18 vided, however, that San Diego must declare at
19 the Meeting whether it considers said amendment
20 to be substantial. Upon such declaration by San
21 Diego, the officers shall specify the dates on
22 which the thirty (30) day periods provided in
23 this section and in Section 3.4.2 shall expire.

24 3.4.2 If San Diego amends the Plan or declines to
25 participate, pursuant to Section 3.4.1 above,
26 Edison may within thirty (30) days of its receipt

1 of notice of such action, elect not to proceed
2 with the Plan. If such election is made, the
3 date of commitment shall be deemed to be extended
4 for six (6) months. In the event San Diego
5 declines to participate pursuant to Section 3.4.1
6 above, Edison may proceed to construct an
7 Additional Generating Unit without participation
8 by San Diego. Any such Additional Generating
9 Unit will be constructed in substantial
10 accordance with the Plan.

11 3.4.3 At such time during the sixty (60) days
12 following the date of commitment as both
13 Companies are foreclosed from further amendments
14 to the Plan or elections to withdraw pursuant to
15 Sections 3.4.1 or 3.4.2 hereof, the Plan shall
16 be deemed final and the Companies shall be bound,
17 each to the other, to construct, own and operate
18 the Additional Generating Unit in accordance
19 with the final Plan.

20 3.4.4 The Companies may, at any time, by written
21 agreement waive any of the foregoing provisions
22 of this Section 3.4.

23 3.5 If pursuant to Section 3.4 hereof the Companies
24 become bound to jointly construct and own an
25 Additional Generating Unit they will promptly
26 negotiate all necessary agreements for the owner-

1 ship, construction and operation of the proposed
2 Additional Generating Unit on terms and conditions
3 not less favorable proportionately to each
4 Company than those provided for in this San
5 Onofre Ownership Agreement and other agreements
6 directly related thereto. If the Companies are
7 unable to agree on any such necessary agreements,
8 the ownership, operation and construction of the
9 Additional Generating Unit will, subject to
10 Section 3.6 hereof, be governed by this Agreement
11 and all others directly related thereto, in all
12 matters other than the proportionate sharing of
13 costs and output of such Additional Generating
14 Unit.

15 3.6 In the event that an Additional Generating Unit
16 is constructed and is to be owned or operated in
17 different proportionate participation than in
18 Unit 1, the Companies will amend this San Onofre
19 Ownership Agreement and directly related agree-
20 ments to apportion the ownership, use and cost
21 of the Project Easements and any facilities,
22 which are common to Unit 1 and such Additional
23 Generating Unit so as to reflect such changes in
24 proportionate participation. The Companies will
25 also exercise their best efforts to provide each
26 other with suitable releases from the liens of

1 their respective trust indentures or the Company
2 not securing such a release shall provide the
3 other with an opinion by its general counsel that
4 no such release is required.

5 3.7 If San Diego does not participate in the
6 construction, ownership or operation of an
7 Additional Generating Unit, its right to partici-
8 pate in subsequent Additional Generating Units,
9 as set forth hereinabove, will be in no way
10 diminished or prejudiced.

11 4. NUCLEAR INFORMATION CENTER

12 The Nuclear Information Center shall be removed or
13 demolished when construction or installation of an
14 Additional Generating Unit causes Edison to require
15 additional switchyard facilities which it deems cannot
16 be adequately installed in the Edison Switchyard Area
17 without such removal or demolition. The costs and
18 salvage value incurred in connection with such removal
19 or demolition shall be shared on the basis of the
20 Companies' participation in such Additional Generating
21 Unit. In the event of such removal or demolition the
22 Companies may agree to relocate or rebuild the Nuclear
23 Information Center.

24 5. SWITCHYARDS

25 Each Company shall exercise exclusive control over its
26 Switchyard and Switchyard Area; provided, however, that

1 in the event of an Operating Emergency, personnel of
2 either Company may enter any Switchyard Area for the
3 purpose of undertaking any immediately necessary action,
4 in accordance with procedures to be established and
5 approved by the Companies.

6 6. DESTRUCTION, DAMAGE OR CONDEMNATION OF UNIT 1

7 6.1 If all, or substantially all, of Unit 1 should
8 be destroyed, damaged or condemned, then the
9 Companies by agreement may elect to repair, re-
10 store or reconstruct the damaged, destroyed or
11 condemned facilities in such a manner as to
12 restore the facilities to substantially the same
13 general character or use as the original, or to
14 such other character or use as the Companies
15 may then mutually agree. In the event of such
16 election, the costs of such repair, restoration
17 or reconstruction shall be shared eighty (80)
18 percent by Edison and twenty (20) percent by
19 San Diego, and, upon completion thereof, the
20 Companies' rights, titles and interests therein
21 shall remain as provided in this Agreement.

22 6.2 Failure to reach such agreement within a
23 reasonable period of time shall be deemed to be
24 an election not to repair, restore or reconstruct
25 the damaged, destroyed or condemned facilities,
26 in which event the proceeds from any insurance

1 or from any award shall be distributed eighty
2 (80) percent to Edison and twenty (20) percent
3 to San Diego, and remaining Unit 1 facilities
4 shall be disposed of by the Companies in a
5 manner to be mutually agreed upon and the pro-
6 ceeds resulting therefrom or the costs incurred
7 thereby shall be shared eighty (80) percent by
8 Edison and twenty (20) percent by San Diego.

9 6.3 In the event that less than substantially all of
10 Unit 1 shall be destroyed, damaged or condemned,
11 it shall be the obligation of the Companies to
12 repair, restore or reconstruct the damaged,
13 destroyed or condemned facilities in such a
14 manner as to restore such facilities to sub-
15 stantially the same general character or use as
16 the original. The costs of such repair,
17 restoration or reconstruction shall be shared
18 eighty (80) percent by Edison and twenty (20)
19 percent by San Diego.

20 7. MORTGAGE AND CREATION OF SECURITY INTERESTS

21 7.1 Edison and San Diego shall have the right at any
22 time, and from time to time, to mortgage, or
23 otherwise encumber their respective rights,
24 titles and interests in the San Onofre Nuclear
25 Generating Station and the Project Easements by
26 conveyance to a trustee or trustees under deeds

1 of trust, mortgages or indentures, or by
2 execution of security agreements or other
3 obligations or securities, and to any successors
4 or assigns thereof, without need for the prior
5 written consent of the other Company.

6 7.2 Any mortgage, trustee or secured party under
7 present or future deeds of trust, mortgages,
8 indentures or security agreements of either
9 Company and any successors or assigns thereof,
10 and any receiver, referee or trustee in bank-
11 ruptcy or reorganization of either Company, and
12 any successor by action of law or otherwise,
13 and any purchaser, transferee or assignee of
14 any of the aforementioned secured parties, may
15 succeed to and acquire all the rights, titles
16 and interests of such Company in the San Onofre
17 Nuclear Generating Station and the Project Ease-
18 ments, and may take possession of or foreclose
19 upon said property, rights, titles and interests
20 of such Company, without need for the prior
21 written consent of the other Company.

22 7.3 Any transfer, assignment, merger or consolidation
23 made pursuant to the provisions of this Section 7
24 shall not be subject to the terms and conditions
25 set forth and contained in Section 8 hereof.

26 8. RIGHT OF FIRST REFUSAL

1 8.1 Except as is otherwise provided in Section 7
2 and Section 8.15 hereof, should either Company
3 desire to assign, transfer, convey or otherwise
4 dispose of (hereinafter collectively referred to
5 as "Assign") its rights, titles and interests in
6 the San Onofre Nuclear Generating Station, the
7 Project Easements or its entitlement to electric
8 capacity and associated energy in Unit 1 or any
9 part thereof or interest therein (hereinafter
10 referred to as "Transfer Interest"), to any
11 person, company, corporation, governmental agency
12 or any other party (hereinafter referred to as
13 "Third Party"), the remaining Company shall have
14 the right of first refusal, as hereinafter
15 described, to purchase for itself such Transfer
16 Interest.

17 8.2 After its receipt of a bona fide written offer
18 from a Third Party to purchase a Transfer
19 Interest and at least three (3) years prior to
20 its intended date to Assign, the Company desiring
21 to Assign its Transfer Interest shall serve
22 written notice of its intention to do so upon the
23 other Company. Such notice shall contain the
24 proposed date to Assign, the terms and conditions
25 of said bona fide written offer received by such
26 Company, and a proposal to Assign its Transfer

1 Interest to the remaining Company. The terms
2 and conditions contained in such proposal
3 shall be at least as favorable to the remaining
4 Company as the terms and conditions of said bona
5 fide written offer, or may be the same terms and
6 conditions set forth in said offer.

7 8.3 The remaining Company shall signify its desire
8 to purchase the Transfer Interest, or its desire
9 not to purchase the Transfer Interest by serving
10 written notice of such intention upon the Company
11 desiring to Assign pursuant to Section 15 hereof
12 within one hundred eighty (180) days after such
13 service pursuant to Section 8.2 of the written
14 notice of intention to Assign. Failure by a
15 Company to serve notice as provided hereunder
16 within the time period specified shall be con-
17 clusively deemed to be notice of its intention
18 not to purchase the Transfer Interest.

19 8.4 Such right of first refusal shall exist as of
20 the effective date of this Ownership Agreement
21 and shall continue for the term of this
22 Ownership Agreement.

23 8.5 When intention to purchase the Transfer Interest
24 has been indicated by a notice to purchase duly
25 given pursuant to Section 8.3 hereof, the
26 Companies shall thereby incur the following

obligations:

8.5.1 The Company desiring to Assign and the Company desiring to purchase the Transfer Interest shall be obligated to proceed in good faith and with diligence to obtain all required authorizations and approvals to Assign;

8.5.2 The Company desiring to Assign shall be obligated to obtain the release of any liens imposed by or through it upon any part of the Transfer Interest, and to Assign the Transfer Interest at the earliest practicable date thereafter; and

8.5.3 The Company desiring to purchase the Transfer Interest shall be obligated to perform all terms and conditions required of it to complete the purchase of the Transfer Interest.

8.6 Purchase of a Transfer Interest pursuant to Section 8.5 hereof shall be fully consummated within thirty (30) months following the date upon which the notice to purchase required to be given under this Section 8.3 has been duly served, unless the Companies are then diligently pursuing applications to appropriate regulatory bodies (if any) for required authorizations to effect such Assignment or are then diligently prosecuting or defending appeals from orders

1 entered or authorizations issued in connection
2 with such applications. In the event such
3 applications or appeals are in progress at the
4 end of said thirty (30) months, the purchase of
5 the Transfer Interest shall be fully consummated
6 upon completion of said applications or appeals.
7 If the Company desiring to purchase the Transfer
8 Interest is barred from doing so by any regula-
9 tory body or court from whose decision no appeal
10 may be taken, the Company desiring to Assign may
11 proceed to dispose of the Transfer Interest as
12 if the other Company had declined to purchase
13 the Transfer Interest.

14 8.7 If the intention not to purchase the Transfer
15 Interest has been indicated by a notice duly
16 given hereunder or by failure to give such
17 notice as provided in Section 8.3, the Company
18 desiring to Assign shall be free to Assign all
19 but not less than all of its Transfer Interest
20 to the Third Party that made the bona fide
21 written offer upon the terms and conditions set
22 forth in said bona fide written offer. If such
23 Assignment of the entire Transfer Interest to
24 the Third Party is not completed within eighteen
25 (18) months after the proposed date to Assign
26 specified in the notice given pursuant to Section

1 8.3 hereof, the Company desiring to Assign its
2 Transfer Interest must, unless it is then
3 diligently pursuing its applications to appro-
4 priate regulatory bodies (if any) for required
5 authorizations to effect such Assignment, or is
6 then diligently prosecuting or defending appeals
7 from orders entered or authorizations issued in
8 connection with such applications, give another
9 complete new right of first refusal to the other
10 Company pursuant to the provisions of this
11 Section 8, before such Company shall be free to
12 Assign a Transfer Interest to said Third Party.

13 8.8 Any Third Party who purchases the Transfer
14 Interest shall receive title to and shall own
15 the Transfer Interest as a tenant in common, sub-
16 ject to the same rights and obligations as are
17 applied to the Transfer Interest in the hands of
18 the Assigning Company.

19 8.9 Except as is otherwise provided in Section 8.10
20 and Section 8.11 hereof, no Assignment of a
21 Transfer Interest shall relieve the Assigning
22 Company from continuing full liability and
23 financial responsibility for performance of all
24 obligations imposed by this Agreement, the
25 Amended San Onofre Operating Agreement and the
26 San Onofre Interconnection Agreement.

1 8.10 To the extent that Edison delegates to San
2 Diego the functions of operating Unit 1, pursuant
3 to Section 8.14 hereof, Edison shall be relieved
4 of such duties.

5 8.11 An Assigning Company shall be relieved of its
6 duties and obligations under this Agreement, the
7 Amended San Onofre Operating Agreement and the
8 San Onofre Interconnection Agreement if and when:

9 8.11.1 Its Assignee agrees in writing with the
10 remaining Company to assume such obligations
11 and duties; and

12 8.11.2 The remaining Company agrees in writing to
13 the Assignor's release from such obligations.

14 8.12 Any Third Party who may succeed to the Transfer
15 Interest pursuant to this Section 8 shall
16 specifically agree in writing with the remaining
17 Company at the time of such Assignment that it
18 will not Assign all or any portion of the
19 Transfer Interest so acquired without complying
20 with the terms and conditions of this Section 8.

21 8.13 Any purported Assignment of a Transfer Interest
22 (other than one provided for in Section 7 hereof)
23 failing to comply with the requirements of this
24 Section 8 shall be void.

25 8.14 In the event Edison desires to Assign all or
26 substantially all of its interest in the San

1 Onofre Nuclear Generating Station, other than
2 pursuant to Section 7 or Section 8.15 hereof,
3 San Diego shall have the option to assume all
4 duties of operating Unit 1 and the Companies
5 shall complete all necessary contractual arrange-
6 ments and modifications to make San Diego
7 operating agent of Unit 1, as of the time such
8 assignment becomes effective.

9 8.15 Edison and San Diego each shall have the right
10 to Assign its respective rights, titles and
11 interests in the San Onofre Nuclear Generating
12 Station and the Project Easements without the
13 need for prior written consent of the other
14 Company, and without complying with Sections 8.1
15 through 8.7, inclusive, and Section 8.14 hereof
16 at any time to the following:

17 8.15.1 Any corporation or other entity acquiring
18 all or substantially all of the property of such
19 Company; or

20 8.15.2 Any corporation or entity into which or
21 with which such Company may be merged or
22 consolidated.

23 9. WAIVER OF RIGHT TO PARTITION

24 For itself and its successors and assigns, Edison and
25 San Diego, each, until expiration or termination of this
26 Agreement, waives the right to seek partition of the San

1 Onofre Nuclear Generating Station and the Project Ease-
2 ments (whether by partitionment in kind or by sale and
3 division of the proceeds thereof). Edison and San Diego,
4 each, further agrees that it will not resort to any
5 action at law or in equity to partition the same (in either
6 such manner) and to that extent waives the benefits of
7 all laws that may now or hereafter authorize such
8 partition.

9 10. COVENANTS RUNNING WITH THE LAND

10 10.1 Except as otherwise provided in Section 10.3
11 hereof, all of the respective covenants and
12 obligations of Edison and San Diego set forth
13 and contained in this Agreement, the Amended San
14 Onofre Operating Agreement and the San Onofre
15 Interconnection Agreement shall bind and shall
16 be and become the respective obligations of:

17 10.1.1 Edison and San Diego;

18 10.1.2 All mortgagees, trustees and secured
19 parties under all present and future
20 mortgages, indentures and deeds of trust,
21 and security agreements which are or may
22 become a lien upon any of the properties
23 of Edison or San Diego;

24 10.1.3 All receivers, assignees for the benefit
25 of creditors, bankruptcy trustees and
26 referees of Edison and San Diego;

1 10.1.4 All other persons, firms, partnerships or
2 corporations claiming through or under any
3 of the foregoing; and

4 10.1.5 Any successors or assigns of any of those
5 mentioned in this Section 10.1;

6 and shall be obligations running with the Companies'
7 rights, titles and interests in the San Onofre Nuclear
8 Generating Station and the Project Easements. It is
9 the specific intention of this provision that all of
10 such covenants and obligations shall be binding upon
11 any party which acquires any of the rights, titles
12 or interests of either Edison or San Diego in the
13 San Onofre Nuclear Generating Station or the Project
14 Easements and that such party shall be obligated to
15 use such rights, titles and interests for the purpose
16 of discharging such covenants and obligations.

17 10.2 The rights, titles and interests of Edison and
18 San Diego in the San Onofre Nuclear Generating Station
19 and the Project Easements shall inure to the benefit
20 of their successors and assigns.

21 10.3 Any mortgagee, trustee or secured party, or any
22 receiver or trustee appointed pursuant to the pro-
23 visions of any present or future mortgage, deed of
24 trust, indenture or security agreement creating a
25 lien upon or encumbering the rights, titles or
26 interests of either Company in the San Onofre Nuclear

1 Generating Station or the Project Easements, and any
2 successors thereof by action of law or otherwise, and
3 any purchaser, transferee, or assignee of any thereof,
4 shall not be obligated to pay any monies accruing on
5 account of any of the obligations or duties of such
6 Company under this Agreement or the Amended San Onofre
7 Operating Agreement incurred prior to the taking of
8 possession or the initiation of foreclosure or other
9 remedial proceedings by such mortgagee, trustee or
10 secured party.

11 10.4 Edison and San Diego shall use their best efforts
12 to obtain from the trustee(s) of their respective
13 trust indentures valid commitments obligating said
14 trustees to honor all the covenants set forth in
15 Section 10.1 herein in the event they enter into
16 possession of the San Onofre Nuclear Generating
17 Station. Such commitments may be in the form of
18 releases, consents or any other form ultimately agreed
19 upon with said trustee(s). To the extent that either
20 Company has secured such a commitment prior to the
21 effective date of this Agreement such Company shall
22 not incur any duty or obligation under this
23 Section 10.4.

24 11. RELATIONSHIP OF PARTIES

25 The duties, obligations and liabilities of Edison and
26 San Diego hereunder are intended to be several and not

1 joint or collective, and nothing herein contained shall
2 ever be construed to create an association, trust or
3 partnership or impose a trust or partnership duty,
4 obligation or liability on or with regard to Edison or
5 San Diego. Edison and San Diego shall be individually
6 responsible for their own obligations as herein provided.
7 Neither Edison nor San Diego shall have the right or
8 power to bind the other except as expressly provided in
9 this Agreement, the Amended San Onofre Operating Agree-
10 ment or the San Onofre Interconnection Agreement.

11 12. MISCELLANEOUS PROVISIONS

12 12.1 Edison and San Diego agree, upon request, to
13 make, execute and deliver any and all documents
14 reasonably required to implement the terms of
15 this Ownership Agreement.

16 12.2 The captions and headings appearing in this
17 Agreement are inserted merely to facilitate
18 reference and shall have no bearing upon the
19 interpretation of the provisions hereof.

20 12.3 This Agreement is made under and shall be
21 governed by the laws of the State of California.

22 12.4 The recitals on page 1 of this Agreement are
23 intended to serve as informational provisions
24 only and are not to be construed as binding upon
25 either Company in any way.

26 13. NO DEDICATION OF FACILITIES

1 Any undertaking by one Company to the other under any
2 provision of this Agreement shall not constitute the
3 dedication of the system or any portion thereof of any
4 Company to the public or to the other Company, and it
5 is understood and agreed that any such undertaking shall
6 cease upon the termination of this Agreement.

7 14. TERM

8 This Agreement shall become effective when it has been
9 duly executed by both Edison and San Diego, and shall
10 continue in effect until termination of the easement
11 recorded in the Official Records, Office of the County
12 Recorder, San Diego County, in Series 5, Book 1964, at
13 Page No. 85887, granted to the Companies by the United
14 States of America for the San Onofre Nuclear Generating
15 Station, or such earlier date as the Companies may agree
16 to cease operation of Unit 1.

17 Upon termination of this Agreement, the Companies
18 shall agree upon further operation of Unit 1 or upon
19 its disposition. In the event the Companies agree to
20 dispose of Unit 1, the proceeds resulting therefrom
21 or the costs incurred thereby shall be shared eighty
22 (80) percent by Edison and twenty (20) percent by
23 San Diego.

24 15. NOTICES

25 All notices under this Agreement shall be in writing
26 and shall be delivered in person or sent by registered

1 or certified mail to the applicable of the following
2 addresses:

3 Southern California Edison Company
4 c/o Secretary
5 Post Office Box 351
6 Los Angeles, California 90053

7 San Diego Gas & Electric Company
8 c/o President
9 Post Office Box 1831
10 San Diego, California 92112

11 By notice sent to the other Company, either Edison or
12 San Diego may designate different persons or different
13 addresses for the giving of notices hereunder.

14 16. PRIOR AGREEMENTS

15 It is the intention of the Companies to supersede
16 hereby the Edison-San Diego Agreement of March 8, 1963
17 to the extent that it provides for matters covered
18 herein. The Companies intend to remain bound and
19 obligated by those provisions of that agreement which
20 relate to construction costs, the AEC Assistance
21 Contract, Edison's appointment as San Diego's agent,
22 as well as all other matters not covered herein. In
23 the event that the Edison-San Diego Agreement of
24 March 8, 1963, is inconsistent with this Agreement,
25 the provisions of this Agreement shall be controlling.
26

1 IN WITNESS WHEREOF, the Companies have caused this
2 Agreement to be executed in duplicate on their behalf.

3 Attest: SAN DIEGO GAS & ELECTRIC COMPANY
4 (SEAL)

5 Assistant /s/ D.R.Green By /s/ J. F. Sinnott
6 Secretary President

7 Attest: SOUTHERN CALIFORNIA EDISON COMPANY
8 (SEAL)

9 /s/ C. D. Lester By /s/ William R. Gould
10 Secretary Vice President

11 STATE OF CALIFORNIA)
12) ss.
13 COUNTY OF San Diego

14 The foregoing instrument was acknowledged before
15 me this 5th day of October, 1967, by
16 J. F. Sinnott, President of SAN DIEGO GAS &
17 ELECTRIC COMPANY, a corporation organized and existing under
18 and by virtue of the laws of the State of California, on
19 behalf of said corporation.

20
21 /s/ Florence La Monte
 Notary Public

22 My Commission Expires:

23
24 March 13, 1970

 Florence LaMonte
 Notary Public
25 Principal Office,
26 San Diego Co., Calif.

1 STATE OF CALIFORNIA
2 COUNTY OF Los Angeles } ss.

3 The foregoing instrument was acknowledged before
4 me this 4th day of October, 1967, by
5 William R. Gould, Vice-President of SOUTHERN CALIFORNIA
6 EDISON COMPANY, a corporation organized and existing under and
7 by virtue of the laws of the State of California, on behalf
8 of said corporation.

10 /s/ Dona Mary Wilcomb
11 Notary Public

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13 My Commission Expires:

14 June 27, 1969

Dona Mary Wilcomb
Notary Public - California
Principal Office in
Los Angeles County

EXHIBIT A-1

DESCRIPTION OF ACCESS ROAD AREA

That certain real property in the County of San Diego, State of California, described as follows:

PARCEL 1:

A strip of land, Forty (40) feet wide, the center line of which is hereinafter described, lying within the Rancho Santa Margarita y Las Flores, as described in the Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of said County, and being also a portion of Section 24, Township 9 South, Range 7 West, as per Record of Survey Map No. 794 filed January 17, 1940 in the office of said County Recorder.

The center line of said strip of land is described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument, set in the Southwesterly line of U. S. Highway 101, said monument being North $56^{\circ} 12' 04''$ West 2123.77 feet, measured along said Southwesterly line, from a 6 inch by 6 inch concrete highway monument, said first above mentioned concrete highway monument bears South $02^{\circ} 52' 15''$ East, 4207.25 feet from a 1-1/2 inch iron pipe, with brass cap, set for the Northeast corner of Section 24 in Township 9 South, Range 7 West, as shown on said Record of Survey Map, said first above mentioned concrete highway monument being also at the beginning of a tangent curve concave Southwesterly and having a radius of 4940 feet; thence Northwesterly, along said curve, through an angle of $12^{\circ} 00' 00''$, a distance of 1034.63 feet; thence continuing along said Southwesterly line and tangent to said last mentioned curve, North $68^{\circ} 12' 04''$ West, 503.81 feet to the beginning of a tangent curve concave to the Northeast and having a radius of 2060 feet; thence Northwesterly, along said last mentioned curve, through an angle of $04^{\circ} 54' 28''$ a distance of 176.47 feet to a point, a radial line of said last mentioned curve passing through said last mentioned point bears South $26^{\circ} 42' 24''$ West; thence South $33^{\circ} 00' 00''$ West, 118.21 feet to the TRUE POINT OF BEGINNING of this description; thence North $57^{\circ} 00' 00''$ West, 473.57 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 1912.67 feet; thence Northwesterly, along said last mentioned curve, through an angle of $29^{\circ} 47' 14''$ a distance of 994.37

1 feet; thence tangent to said last mentioned curve, North 27°
2 12' 46" West, 65.16 feet to the beginning of a tangent curve
3 concave to the Southeast and having a radius of 129.64 feet;
4 thence Northwesterly, Northerly and Easterly, along said last
5 mentioned curve through an angle of 151° 00' 42" a distance
6 of 341.68 feet; thence tangent to said last mentioned curve,
7 South 56° 12' 04" East, 152.16 feet, to the beginning of a
8 tangent curve concave to the Southwest and having a radius of
9 100.00 feet; thence Southeasterly along said last mentioned
10 curve, through an angle of 14° 38' 12", a distance of 25.55
11 feet; thence tangent to said last mentioned curve, South 41°
12 33' 52" East, 161.32 feet to the beginning of a tangent curve
13 concave to the Northeast and having a radius of 100.00 feet;
14 thence Southeasterly, along said last mentioned curve through
15 an angle of 14° 38' 12", a distance of 25.55 feet; thence
16 tangent to said last mentioned curve, South 56° 12' 04" East,
17 1651.27 feet to the beginning of a tangent curve concave to
18 the Northeast and having a radius of 100.00 feet; thence
19 Southeasterly along said last mentioned curve through an
20 angle of 09° 48' 07" a distance of 17.11 feet; thence tangent
21 to said last mentioned curve, South 66° 00' 11" East, 153.29
22 feet to the beginning of a tangent curve concave Southwesterly
23 and having a radius of 60.00 feet; thence Southeasterly and
24 Southerly along said last mentioned curve, through an angle
25 of 90° 00' 00", a distance of 94.25 feet to a point herein-
26 after referred to as Point "A"; thence tangent to said last
mentioned curve, South 23° 59' 49" West, 33 feet to a point
in the Northeasterly line of U. S. Highway 101, said last
mentioned point being in a curve in said Northeasterly line,
said curve being concave Southwesterly and having a radius
of 5060 feet, a radial line to said last mentioned curve
passing through said last mentioned point bears North 23°
59' 49" East, said last mentioned point being Easterly 194.13
feet measured along said Northeasterly line from a 6 inch by
6 inch concrete highway monument, said highway monument bears
South 10° 20' 14" West 3668.46 feet from a 1-1/2 inch iron
pipe with brass cap, set for the Northeast corner of said
Section 24.

The side lines of said strip of land, hereinabove
described and designated as Parcel 1, shall be prolonged or
shortened so as to terminate in the Northeasterly line of
said U. S. Highway 101.

PARCEL 2:

That portion of the Rancho Santa Margarita y Las Flores,
as described in the Patent from the United States of America,
dated March 28, 1879 and recorded in Book 7, page 18 et seq.,
of Patents in the Office of the County Recorder of said
County and being also a portion of Section 24 in Township 9

1 South, Range 7 West, as shown on the Record of Survey Map
2 No. 794, filed January 17, 1940 in the office of said County
Recorder, described as follows:

3 Beginning at Point "A" hereinabove referred to in the
4 center line description of the strip of land hereinabove
described and designated as Parcel 1; thence South $66^{\circ} 00' 11''$ East 20 feet to the beginning of a non-tangent curve
5 concave to the East and having a radius of 40.00 feet; thence
Southerly along said curve through an angle of $55^{\circ} 32' 58''$
6 a distance of 38.78 feet to a point in the Northeasterly line
of U. S. Highway 101, said last mentioned point being in a
7 curve concave to the South and having a radius of 5060 feet,
a radial line of said last mentioned curve passing through
8 said last mentioned point bears North $24^{\circ} 25' 12''$ East;
thence Westerly along said last mentioned curve through an
9 angle of $00^{\circ} 50' 46''$ a distance of 74.72 feet to a point,
a radial line of said last mentioned curve passing through
10 said last mentioned point bears North $23^{\circ} 34' 26''$ East, said
last mentioned point being also at the beginning of a non-
11 tangent curve concave to the West and having a radius of
40.00 feet; thence Northerly along said last mentioned curve
12 through an angle of $55^{\circ} 32' 58''$ a distance of 38.78 feet to
a point, a radial line to said last mentioned curve passing
13 through said last mentioned point bears South $66^{\circ} 00' 11''$
East; thence South $66^{\circ} 00' 11''$ East 20 feet to the point of
14 beginning.

15 EXCEPTING from the land hereinabove described and
designated as Parcel 2 that portion thereof lying within
16 the strip of land hereinabove described and designated as
Parcel 1.
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EXHIBIT A-2

DESCRIPTION OF EDISON SWITCHYARD AREA

That portion of the Rancho Santa Margarita y Las Flores, as described in the Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of said County, being also portions of Section 24 in Township 9 South, Range 7 West and Section 30 in Township 9 South, Range 6 West, as shown on Record of Survey Maps No. 794 filed January 17, 1940 in the office of said County Recorder, described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument, set in the Southwesterly line of U.S. Highway 101, said monument bears South $02^{\circ} 52' 15''$ East 4207.25 feet from a 1-1/2 inch iron pipe, with brass cap, set for the Northeast corner of Section 24 in Township 9 South, Range 7 West, as shown on said Record of Survey Map; thence South $56^{\circ} 12' 04''$ East along said Southwesterly line of U.S. Highway 101, a distance of 50 feet; thence South $33^{\circ} 00' 00''$ West, 12 feet to the TRUE POINT OF BEGINNING, of this description: thence South $56^{\circ} 12' 04''$ East parallel with said Southwesterly line of U.S. Highway 101, a distance of 556 feet; thence South $33^{\circ} 00' 00''$ West 269 feet to a point in a line which passes through a point that bears South $33^{\circ} 00' 00''$ West 286 feet from the hereinbefore referred to 6 x 6 concrete monument in the Southwesterly line of said U.S. Highway 101; thence Northwesterly along said last mentioned line 594 feet; thence North $33^{\circ} 00' 00''$ East, 154 feet; thence South $56^{\circ} 12' 04''$ East, 38 feet; thence North $33^{\circ} 00' 00''$ East 120 feet to the TRUE POINT OF BEGINNING of this description.

EXHIBIT A-3

DESCRIPTION OF OFF SHORE LAND

A STRIP OF TIDE AND SUBMERGED LAND, ONE-HUNDRED (100) FEET WIDE, IN THE GULF OF SANTA CATALINA, SAN DIEGO COUNTY, THE CENTER LINE OF WHICH IS DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THAT CERTAIN COURSE IN THE SOUTHWESTERLY BOUNDARY OF THE 83.63-ACRE PARCEL OF LAND SHOWN ON THE LICENSED SURVEYOR'S MAP FILED ON JUNE 13, 1963, AS MAP NO. 6242 OF RECORDS OF SURVEY IN THE OFFICE OF COUNTY RECORDER OF SAID COUNTY, SAID CERTAIN COURSE IS SHOWN ON SAID MAP AS HAVING A BEARING OF "S 52° 00' 51" E" AND A LENGTH OF "299.95 FEET", SAID POINT BEING SOUTH 52° 00' 51" EAST 18.71 FEET FROM THE NORTHWESTERLY TERMINUS OF SAID CERTAIN COURSE: THENCE SOUTH 33° 00' 00" WEST, 3,310.11 FEET, CONTAINING 7.599 ACRES MORE OR LESS.

THE SIDE LINES OF SAID STRIP OF LAND SHALL BE SHORTENED AT THE NORTHEASTERLY TERMINUS THEREOF SO AS TO TERMINATE IN THE SOUTHWESTERLY BOUNDARY LINE OF SAID 83.63-ACRE PARCEL OF LAND, SHOWN ON SAID LICENSED SURVEYOR'S MAP.

EXHIBIT A-4

DESCRIPTION OF PLANT SITE

That certain real property in the County of San Diego, State of California, described as follows:

That portion of the Rancho Santa Margarita y Las Flores, as described in the Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of said County, being also portions of Section 24 in Township 9 South, Range 7 West and Section 30 in Township 9 South, Range 6 West, as shown on Record of Survey Map No. 794 filed January 17, 1940 in the office of said County Recorder, described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument, set in the Southwesterly line of U. S. Highway 101, said monument being North 56° 12' 04" West 2123.77 feet, measured along said Southwesterly line, from a 6 inch by 6 inch concrete highway monument, said first above mentioned concrete highway monument bears South 02° 52' 15" East 4207.25 feet from a 1-1/2 inch iron pipe, with brass cap, set for the Northeast corner of Section 24 in Township 9 South, Range 7 West, as shown on said Record of Survey Map, said first above mentioned concrete highway monument being also at the beginning of a tangent curve, concave Southwesterly and having a radius of 4940 feet; thence Northwesterly along said curve, through an angle of 12° 00', a distance of 1034.63 feet; thence continuing along said Southwesterly line and tangent to said last mentioned curve, North 68° 12' 04" West, 503.81 feet to the beginning of a tangent curve, concave to the Northeast and having a radius of 2060 feet; thence Northwesterly, along said last mentioned curve, through an angle of 04° 54' 28" a distance of 176.47 feet to a point, a radial line of said last mentioned curve passing through said last mentioned point bears South 26° 42' 24" West; thence South 33° 00' 00" West, 785.32 feet to the Mean High Tide Line of the Pacific Ocean; thence Southeasterly, along said Mean High Tide Line of the Pacific Ocean to a line that is parallel with and 4500 feet Southeasterly, measured at right angles, from the course hereinabove described as having a bearing of South 33° 00' 00" West and a length of 785.32 feet; thence North 33° 00' 00" East, along said parallel line, 663.39 feet to a point in said Southwesterly line of U. S. Highway 101, said last mentioned point being in a curve in said Southwesterly line, said curve being concave Southwesterly and having a radius of 11440 feet and being also tangent to the course hereinabove described as having a

1 bearing of North $56^{\circ} 12' 04''$ West and a length of 2123.77 feet,
2 a radial line to said curve passing through said last mentioned
3 point bears North $37^{\circ} 12' 19''$ East; thence Northwesterly, along
4 said curve, through an angle of $03^{\circ} 24' 23''$, a distance of
5 680.14 feet to the second above mentioned 6 inch by 6 inch
6 concrete highway monument; thence North $56^{\circ} 12' 04''$ West,
7 2123.77 feet to the point of beginning.
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EXHIBIT A-5

DESCRIPTION OF SAN DIEGO SWITCHYARD AREA

That portion of the Rancho Santa Margarita y Las Flores, as described in the Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of said County, being also portions of Section 24 in Township 9 South, Range 7 West and Section 30 in Township 9 South, Range 6 West, as shown on Record of Survey Map. No. 794 filed January 17, 1940 in the office of said County Recorder, described as follows:

Beginning at a 6 inch concrete highway monument, set in the Southwesterly line of U. S. Highway 101, said monument bears South $02^{\circ} 52' 15''$ East 4207.25 feet from a 1-1/2 inch iron pipe, with brass cap, set for the Northeast corner of Section 24 in Township 9 South, Range 7 West, as shown on said Record of Survey Map; thence South $56^{\circ} 12' 04''$ East along said Southwesterly line of U. S. Highway 101, a distance of 50 feet; thence South $33^{\circ} 00' 00''$ West 12 feet; thence South $56^{\circ} 12' 04''$ East, parallel with said Southwesterly line of U. S. Highway 101, a distance of 556 feet; thence South $33^{\circ} 00' 00''$ West 18 feet to the TRUE POINT OF BEGINNING of this description; thence South $56^{\circ} 12' 04''$ East parallel with said Southwesterly line of U. S. Highway 101, a distance of 105 feet to a point; thence Easterly in a direct line to a point that is North $33^{\circ} 00' 00''$ East 15 feet and South $56^{\circ} 12' 04''$ East 18 feet from the last mentioned point; thence South $56^{\circ} 12' 04''$ East 347 feet; thence South $33^{\circ} 00' 00''$ West, 240 feet; thence Northwesterly 470 feet to a point that bears South $33^{\circ} 00' 00''$ West 242 feet from the TRUE POINT OF BEGINNING of this description; thence North $33^{\circ} 00' 00''$ East 242 feet to the TRUE POINT OF BEGINNING of this description.

EXHIBIT A-6

DESCRIPTION OF SPUR TRACK AREA

That certain real property in the County of San Diego, State of California, described as follows:

A strip of land, One Hundred (100) feet wide, lying Forty-seven and one-half (47.5) feet Northeasterly and Fifty-two and one-half (52.5) feet Southwesterly of the herein-after described reference line, said strip of land lying within the Rancho Santa Margarita y Las Flores, as described in the Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of said County, and being also a portion of Section 24 in Township 9 South, Range 7 West, as shown on the Record of Survey Map No. 794, filed January 17, 1940 in the office of said County Recorder.

The reference line referred to above is described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument, set in the Southwesterly line of U. S. Highway 101, said monument being North $56^{\circ} 12' 04''$ West 2123.77 feet, measured along said Southwesterly line, from a 6 inch by 6 inch concrete highway monument, said first above mentioned concrete highway monument bears South $02^{\circ} 52' 15''$ East, 4207.25 feet from a 1-1/2 inch iron pipe, with brass cap, set for the Northeast corner of Section 24 in Township 9 South, Range 7 West, as shown on said Record of Survey Map, said first above mentioned concrete highway monument being also at the beginning of a tangent curve concave Southwesterly and having a radius of 4940 feet; thence Northwesterly, along said curve, through an angle of $12^{\circ} 00' 00''$, a distance of 1034.63 feet; thence continuing along said Southwesterly line and tangent to said last mentioned curve, North $68^{\circ} 12' 04''$ West, 503.81 feet to the beginning of a tangent curve concave to the Northeast and having a radius of 2060 feet; thence Northwesterly, along said last mentioned curve, through an angle of $04^{\circ} 54' 28''$ a distance of 176.47 feet to a point, a radial line of said last mentioned curve passing through said last mentioned point bears South $26^{\circ} 42' 24''$ West; thence South $33^{\circ} 00' 00''$ West, 115.71 feet to the TRUE POINT OF BEGINNING of this description; thence North $57^{\circ} 00' 00''$ West 473.57 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 1910.17 feet; thence Northwesterly along said last mentioned

1 curve, through an angle of $29^{\circ} 47' 14''$ a distance of 993.07
2 feet; thence tangent to said last mentioned curve North 27°
3 $12' 46''$ West 456.60 feet to the beginning of a tangent curve
4 concave Southwesterly and having a radius of 573.69 feet;
5 thence Northwesterly along said last mentioned curve through
6 an angle of $20^{\circ} 00' 00''$ a distance of 200.26 feet to the
7 beginning of a compound curve concave Southwesterly and
8 having a radius of 736.76 feet; thence Northwesterly along
9 said last mentioned curve through an angle of $8^{\circ} 59' 18''$
10 115.59 feet to a point in the center line of the 100 foot
11 right of way of the Atchison, Topeka and Santa Fe Railway
12 Company, said point being North $56^{\circ} 12' 04''$ West 700 feet,
13 measured along said last mentioned center line from its
14 intersection with the center line of U.S. Highway 101 (140
15 feet wide).
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EXHIBIT H

SAN ONOFRE UNITS 2 AND 3
LETTER AGREEMENT

Southern California Edison Company



P. O. BOX 351

LOS ANGELES, CALIFORNIA 90053

WILLIAM R. GOULD
SENIOR VICE PRESIDENT

TELEPHONE
213-624-7111

January 22, 1970

San Diego Gas & Electric Company
P. O. Box 1831
San Diego, California 92112

Gentlemen:

This letter sets forth the agreement of San Diego Gas & Electric Company (San Diego) and Southern California Edison Company (Edison) pursuant to the San Onofre Ownership Agreement, dated October 5, 1967, to proceed with the construction of two additional generating units (Units 2 and 3) at the San Onofre Nuclear Generating Station. The Companies agree, as provided in this letter, to share in the ownership, construction, operation, maintenance and use of Units 2 and 3 and to proceed with the award of major contracts for such units. The Companies agree that, with respect to Units 2 and 3, this letter shall substitute for the procedures described in Section 3 of the San Onofre Ownership Agreement. The commitments in this letter shall be superseded by definitive agreements described in Section 4 hereof.

The Companies agree as follows:

1. UNITS 2 AND 3

1.1 Units 2 and 3 shall be substantially identical generating units utilizing a pressurized water reactor nuclear steam supply system, together with initial core fuel assemblies and the necessary appurtenances. The nuclear steam supply system and the initial core fuel assemblies will be furnished by Combustion Engineering, Inc. Each unit shall be designed to produce approximately 1,140 megawatts net electrical output.

2. SCHEDULES

2.1 The Companies intend to make an award to Combustion Engineering, Inc. for the

nuclear steam supply systems and initial core fuel assemblies for Units 2 and 3 on or before January 23, 1970. The award will be made in the names of both Companies.

- 2.2 In accordance with Section 3.4 of the San Onofre Ownership Agreement, the Companies confirm that the scheduled dates for initial full power operation of Units 2 and 3 will be June 1, 1975, and June 1, 1976, respectively. In order to permit a shake-down period and adequate time to establish said units as reliable generating resources, the commercial operating date for each unit will be scheduled for one year after the scheduled date of initial full power operation of such unit.

3. PARTICIPATION

- 3.1 In light of the exercise by San Diego of its participation option pursuant to the San Onofre Ownership Agreement, the Companies shall acquire and own Units 2 and 3, as tenants in common, as follows:
- 3.1.1 San Diego shall own an undivided twenty per cent (20%) interest therein; and
- 3.1.2 Edison shall own an undivided eighty per cent (80%) interest therein.
- 3.2 The capacity entitlement of each Company in each of Units 2 and 3 shall be the product of its percentage participation share and the net effective generating capacity of such unit.
- 3.3 Each Company shall be responsible for transmitting its capacity entitlement and energy associated therewith from San Onofre Nuclear Generating Station to its system.

4. DEFINITIVE AGREEMENTS

4.1 The Companies agree to negotiate in good faith and to proceed with diligence to obtain all necessary project agreements, including those pertaining to the following:

4.1.1 Agreements with the suppliers of the nuclear steam supply systems and turbine-generators, to be executed by both Companies with such suppliers.

4.1.2 Construction.

4.1.3 Fuel supply, to be executed by both Companies with the supplier.

4.1.4 Agreement with the Engineer-Constructor, to be executed by both Companies with the Engineer-Constructor.

4.1.5 Ownership.

4.1.6 Operation and maintenance.

4.1.7 Fuel reprocessing, to be executed by both Companies with the Reprocessor.

5. REGULATORY APPROVALS

5.1 The Companies agree to proceed with diligence to obtain all necessary regulatory approvals for the construction and operation of Units 2 and 3.

6. PROJECT COSTS

6.1 Costs incurred by the Companies which are properly chargeable to the construction of Units 2 and 3 shall be set forth in budgets to be approved in advance by the Companies.

- 6.2 San Diego shall be entitled to proportionate reimbursement by Edison for costs incurred by San Diego, which costs contribute to the advancement and are properly chargeable to the construction of Units 2 and 3.
- 6.3 Edison shall be entitled to proportionate reimbursement by San Diego for costs incurred by Edison, which costs contribute to the advancement and are properly chargeable to the construction of Units 2 and 3.
- 6.4 The details of the payment of those costs incurred by Edison prior to the effective date of the Construction Agreement shall be set forth in a supplement to this letter. It is anticipated that such payments shall be made on a monthly basis.

7. LIABILITY AND INSURANCE

- 7.1 The Companies agree to negotiate and complete, within sixty (60) days after the date of execution of this letter, a supplement to this letter containing (a) liability provisions governing the construction of Units 2 and 3, and (b) any necessary insurance arrangements for said units.

8. INTERCONNECTION

- 8.1 For system security reasons, the Companies intend to arrange in connection with the construction of Units 2 and 3 the interconnection facilities located at the San Onofre Nuclear Generating Station in such a manner that a certain amount of capacity compatible to both systems from said station will be available to both Companies during times when the two systems are not operating in parallel. The arrangement and operation of such interconnection and the amount of capacity to be isolated on the respective systems will be subjects of joint studies to be performed by the Companies assuming various contingencies of planned and forced outages.

9. PROJECT MANAGER AND OPERATING AGENT

- 9.1 The Companies hereby appoint Edison as Project Manager and Operating Agent. Edison shall perform, or cause to be performed, as agent for San Diego and as principal on its own behalf the project work for Units 2 and 3.

10. LIAISON

- 10.1 The Companies shall promptly inform each other concerning significant matters involving the project work.
- 10.2 Each Company shall promptly notify the other in advance of important meetings with equipment vendors, regulatory agencies and others so that representatives of both Companies may participate in such meetings.
- 10.3 The Companies shall meet periodically at the management level to review and discuss policy matters affecting the project work, and at the engineering staff level to review and discuss the project work.
- 10.4 San Diego shall designate a project representative to provide direct contact between Edison and San Diego in matters pertaining to the project work.

SCE

If the foregoing properly expresses our mutual agreement, please confirm by signing in the space provided below and returning one copy to me.

Sincerely,

SOUTHERN CALIFORNIA EDISON COMPANY

By

William R. Bond

Senior Vice President

Accepted and agreed to

this 23 day of

January, 1970.

SAN DIEGO GAS & ELECTRIC COMPANY

By

J. H. Smith

San Diego Gas & Electric Company

1-22-70

Approved
1-22-70

1111

Upon completion of the Interstate 15, S.D. Highway 56 will be turned to the Marine Corps. Access arrangements will be made to provide for continued use of this place for access to the Plant site.

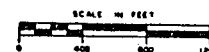
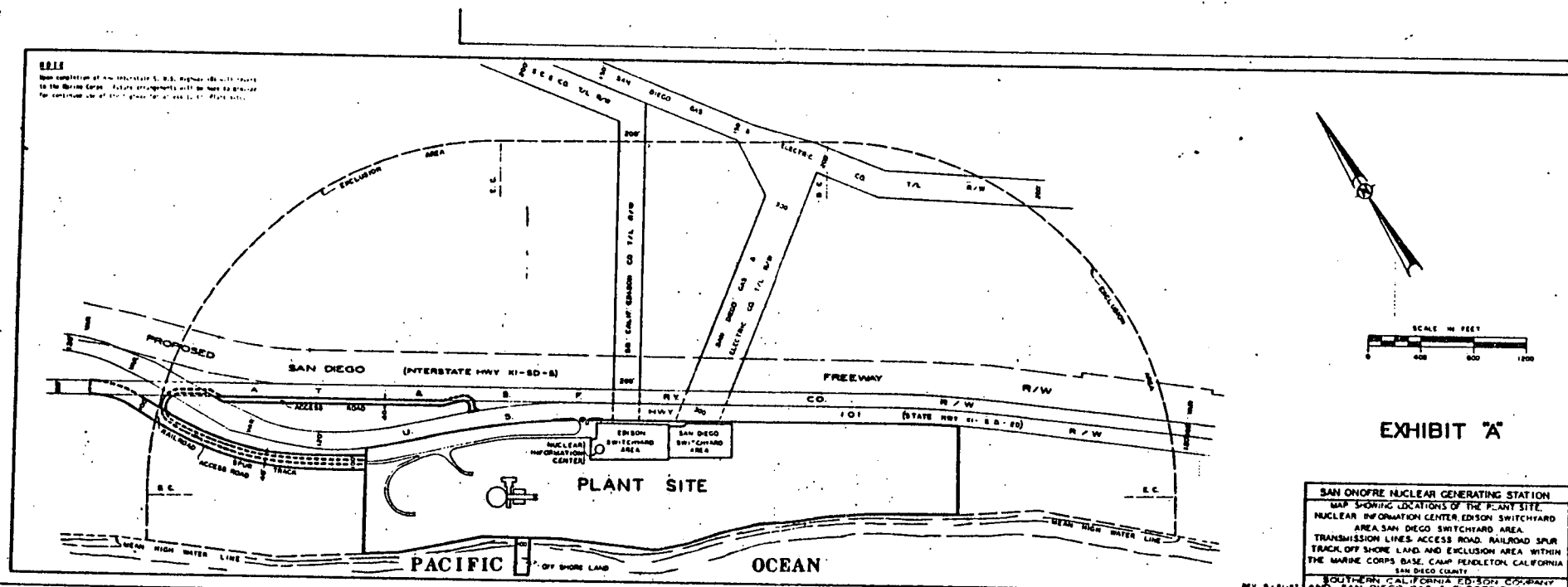


EXHIBIT 'A'

SAN ONOFRE NUCLEAR GENERATING STATION
 MAP SHOWING LOCATIONS OF THE PLANT SITE,
 NUCLEAR INFORMATION CENTER, EDISON SWITCHYARD
 AREA, SAN DIEGO SWITCHYARD AREA,
 TRANSMISSION LINES, ACCESS ROAD, RAILROAD SPUR,
 TRACK, OFF SHORE LAND, AND EXCLUSION AREA, WITHIN
 THE MARINE CORPS BASE, CAMP PENDLETON, CALIFORNIA
 SAN DIEGO COUNTY
 SOUTHERN CALIFORNIA EDISON COMPANY
 AND SAN DIEGO GAS & ELECTRIC COMPANY

REV. 9-21-67

63810

EXHIBIT I

AMENDED SAN ONOFRE OPERATING AGREEMENT

AND

AMENDMENT NO. 1 TO
AMENDED SAN ONOFRE OPERATING AGREEMENT

6-22

AMENDED SAN ONOFRE OPERATING AGREEMENT

BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY

AND

SOUTHERN CALIFORNIA EDISON COMPANY

AMENDED SAN ONOFRE OPERATING AGREEMENT

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1
2
3 AMENDED SAN ONOFRE OPERATING AGREEMENT
4

5 THIS AGREEMENT, executed on the 30th day of
6 July, 1970, between SAN DIEGO GAS &
7 ELECTRIC COMPANY, hereinafter called "San Diego", and SOUTHERN
8 CALIFORNIA EDISON COMPANY, hereinafter called "Edison",
9 corporations organized, created, and existing under and by
10 virtue of the laws of the State of California, hereinafter
11 referred to individually as "Company" and collectively as
12 "Companies".

13 W I T N E S S E T H :

14 WHEREAS, San Diego and Edison have entered into an
15 agreement entitled "Edison-San Diego Agreement" of March 8,
16 1963, to provide for their joint participation in the procure-
17 ment, construction, and operation of the San Onofre Nuclear
18 Generating Station.

19 WHEREAS, Edison and Westinghouse Electric Corporation
20 entered into a contract entitled "San Onofre Nuclear Generating
21 Station Unit No. 1 Contract for Fuel Service", dated June 12,
22 1963, to provide long-term fuel service for Unit 1.

23 WHEREAS, Edison assigned to San Diego an undivided
24 20 per cent interest in said Contract for Fuel Service by a
25 document entitled "Assignment of Interest in Contract for
26 Fuel Service", dated June 21, 1963.

1 WHEREAS, Edison and San Diego have entered into an
2 agreement and Modification No. 1 thereto with the United States
3 of America, represented by the Atomic Energy Commission, dated
4 March 31, 1964, hereinafter referred to as the "Assistance
5 Contract".

6 WHEREAS, the Edison-San Diego Agreement provides
7 that Edison and San Diego shall enter into an operating agree-
8 ment which shall contain the terms and conditions under which
9 the San Onofre Nuclear Generating Station shall be operated
10 and maintained and the method of sharing the costs thereof
11 and the output therefrom.

12 WHEREAS, pursuant to the Edison-San Diego Agreement,
13 (i) Edison assigned a 20 per cent undivided interest to San
14 Diego in the contract entitled "Agreement for Coast Nuclear
15 Station, Unit No. 1", hereinafter called the "NPPC", entered
16 into by Edison on January 11, 1963, with Bechtel Corporation
17 and Westinghouse Electric Corporation, and (ii) San Diego
18 irrevocably appointed Edison as its agent, and Edison agreed
19 to undertake as San Diego's agent, as well as in Edison's own
20 behalf, the performance of all specified Edison obligations
21 under the NPPC, the handling of all transactions and relations
22 with Bechtel and Westinghouse under the NPPC, the performance
23 of all Edison's obligations therein specified and the handling
24 of all transactions and relations with Westinghouse under the
25 Fuel Service Contract, the performance of the terms and condi-
26 tions of the Assistance Contract with the Atomic Energy

1 Commission, the making on behalf of Edison and San Diego of
2 reports to the AEC and the California Public Utilities Com-
3 mission, the issuance of publicity and conducting public
4 relations except those involving San Diego's service territory,
5 and liaison with the California Coordinator of Atomic Energy
6 Development and Radiation Protection.

7 WHEREAS, the Companies desire that Unit 1 shall be
8 so operated and maintained that its value and usefulness as
9 a power generating resource will provide benefits to Edison
10 and San Diego in proportion to their ownership thereof.

11 WHEREAS, the Companies desire to obtain and share
12 maximum experience and training benefits from the operation
13 and maintenance of Unit 1.

14 WHEREAS, Edison and San Diego entered into an agree-
15 ment entitled "San Onofre Ownership Agreement", dated
16 October 5, 1967, and recorded on October 6, 1967, in Series 8,
17 Book 1967, Page 154649 of Official Records in the office of
18 the County Recorder of the County of San Diego, to supplement
19 the Edison-San Diego Agreement in regard to certain incidents
20 of ownership of the San Onofre Nuclear Generating Station.

21 WHEREAS, Edison and San Diego entered into an
22 agreement entitled "San Onofre Operating Agreement", dated
23 June 1, 1966, which provides certain terms and conditions
24 under which Edison shall operate and maintain Unit 1.

25 WHEREAS, Edison and San Diego desire to amend and
26 restate the San Onofre Operating Agreement to provide for the

1 making of Capital Improvements, the sharing of expenses, the
2 providing of insurance, and other matters in connection with
3 the operation and maintenance of Unit 1.

4 NOW THEREFORE, in consideration of the terms and
5 conditions herein set forth to be performed by each of the
6 Companies, respectively, the parties hereto agree as follows:

7 1. DEFINITIONS

8 Whenever used herein, the following terms shall have
9 the following meanings, exclusively:

10 1.1 Access Road Area: An area of land described in an
11 easement granting rights for access and other pur-
12 poses relating to the San Onofre Nuclear Generating
13 Station by the United States to Edison and San Diego
14 on May 12, 1964, recorded in Series 5, Book 1964,
15 Page 85889 of Official Records in the office of the
16 County Recorder of the County of San Diego. Such
17 land area consisting of approximately 3.68 acres in
18 the northwest corner of the Marine Corps Base,
19 Camp Pendleton, California, is shown in Exhibit A
20 attached hereto.

21 1.2 Additional Generating Unit: Any facility for the
22 generation of electrical energy (including all
23 auxiliary and associated equipment) constructed or
24 installed at the San Onofre Nuclear Generating Sta-
25 tion other than Unit 1 or auxiliary generating
26 facilities necessary for the operation of Unit 1.

1 1.3 Board of Review: The board established pursuant to
2 Section 3.1 hereof.

3 1.4 Capital Improvement: The addition of any unit of
4 property, land or land right to Unit 1 or the Station
5 Site or the replacement, enlargement or improvement
6 of any unit of property, land or land right con-
7 stituting a part of Unit 1 or the Station Site,
8 which, in accordance with Prescribed Accounting
9 Practice, would be capitalized.

10 1.5 Edison Switchyard: The 220-kv switchrack and related
11 facilities located within the Edison Switchyard Area
12 and any facilities subsequently installed or con-
13 structed therein by Edison, but not including the
14 conductors and dead-end assemblies for the 220-kv
15 Unit 1 main transformer leads or any environmental
16 radiation monitoring equipment installed therein.
17 For purposes of this agreement, the following items
18 located in the Unit 1 control-administration build-
19 ing are also considered to be part of the Edison
20 Switchyard:

21 1.5.1 Controls, indicating lights, and instruments
22 associated with Edison's 220-kv switchrack
23 facilities.

24 1.5.2 Tap changing controls and associated indi-
25 cating meters for San Diego's 220/138-kv
26 autotransformers.

1.5.3 Meters and devices for interconnection metering and Edison's associated telemetering equipment.

1.6 Edison Switchyard Area: An area of land used as the site of Edison Switchyard and, at present, as the site of the Nuclear Information Center. Such land area consisting of approximately 3.66 acres within the Plant Site is shown in Exhibit A.

1.7 Edison Transmission Lines: The 220-kv transmission lines connecting the Edison Switchyard with the remainder of the Edison system.

1.8 FPC Accounts: The Federal Power Commission's "Uniform System of Accounts Prescribed for Public Utilities and Licensees (Class A and Class B), in Effect on March 1, 1965, Subject to the Provisions of the Federal Power Act", as amended on or before the execution date of this agreement.

1.9 Fuel Service Contract: A contract entitled "San Onofre Nuclear Generating Station Unit 1 Contract for Fuel Service" entered into as of June 12, 1963, by Edison and Westinghouse Electric Corporation, in which contract Edison assigned to San Diego an undivided 20 per cent interest on June 21, 1963; as amended by Amendment No. 1 thereto on March 27, 1964, and Amendment No. 2 thereto on March 27, 1967, and as it may thereafter be amended.

1 1.10 Nuclear Information Center: The structures and
2 associated facilities designated in Exhibit A as
3 the Nuclear Information Center, located within the
4 presently unfenced portion of the Edison Switchyard
5 Area and any subsequent improvements of or additions
6 to said structures and facilities.

7 1.11 Off-Shore Land: A strip of tide and submerged land
8 used for circulating water conduits for the San
9 Onofre Nuclear Generating Station described in an
10 easement-lease for such purpose from the State of
11 California to Edison and San Diego beginning on
12 September 24, 1964, and recorded in Series 5,
13 Book 1964, Page 235236 of Official Records in the
14 office of the County Recorder of the County of
15 San Diego, as such easement-lease was amended on
16 December 5, 1968, and may hereafter be amended.
17 Such land area consisting of approximately 7.599
18 acres is shown in Exhibit A.

19 1.12 Plant Site: An area of land used for the major
20 portion of the San Onofre Nuclear Generating Station
21 described in an easement granted for such purpose by
22 the United States to Edison and San Diego on May 12,
23 1964, and recorded in Series 5, Book 1964,
24 Page 85887 of Official Records in the office of the
25 County Recorder of the County of San Diego. Such
26 land area consisting of approximately 83.63 acres

1 in the northwest corner of the Marine Corps Base,
2 Camp Pendleton, California, is shown in Exhibit A.

3 1.13 Prescribed Accounting Practice: Generally accepted
4 accounting principles, in accordance with FPC
5 Accounts, applicable to electric utility operations.

6 1.14 San Diego Switchyard: The 220-kv and 138-kv switch-
7 racks, 220/138-kv autotransformers, and related
8 facilities located within the San Diego Switchyard
9 Area and any facilities subsequently installed or
10 constructed therein by San Diego, but not including
11 the conductors and dead-end assemblies for the
12 Unit 1 Auxiliary "C" Transformer leads.

13 1.15 San Diego Switchyard Area: An area of land used as
14 the site of the San Diego Switchyard. Such land
15 area consisting of approximately 2.72 acres within
16 the Plant Site is shown in Exhibit A.

17 1.16 San Diego Transmission Lines: The 138-kv trans-
18 mission lines connecting the San Diego Switchyard
19 with the remainder of the San Diego system.

20 1.17 San Onofre Agreements: The Edison-San Diego Agree-
21 ment referred to on page 1 hereof, the San Onofre
22 Ownership Agreement, this Amended San Onofre
23 Operating Agreement, the Fuel Service Contract,
24 the Assistance Contract, the Special Nuclear
25 Material Lease Agreement No. 264 dated July 1, 1968,
26 between the United States and the Companies, the

1 fuel reprocessing agreement to be entered into by
2 the fuel reprocessor and the Companies covering the
3 reprocessing of spent fuel, the three easements
4 granting rights by the United States to Edison and
5 San Diego for the Access Road, the Plant Site, and
6 the Spur Track Area, and the easement-lease granting
7 rights by the State of California to Edison and
8 San Diego for the Off-Shore Land.

9 1.18 San Onofre Interconnection Agreement: The agreement
10 the Companies propose to execute to provide, among
11 other matters, for the operation and maintenance of
12 the Edison and San Diego Switchyards and for the
13 interconnection of their systems through such Switch-
14 yards, as such agreement may thereafter be amended.

15 1.19 San Onofre Nuclear Generating Station: The entire
16 nuclear generating facility located on a site of
17 approximately 90 acres in the northwest corner of
18 the Marine Corps Base, Camp Pendleton, California,
19 consisting of the Plant Site (including the Edison
20 Switchyard Area and San Diego Switchyard Area), the
21 Access Road Area, the Spur Track Area, the Off-
22 Shore Land, any Subsequent Acquisitions, Unit 1,
23 the Nuclear Information Center, the Edison Switch-
24 yard, the San Diego Switchyard, and any Additional
25 Generating Units subsequently constructed or
26 installed.

1 1.20 San Onofre Ownership Agreement: The agreement the
2 Companies have executed as of October 5, 1967, which
3 was recorded on October 6, 1967, in Series 8,
4 Book 1967, Page 154649 of Official Records in the
5 office of the County Recorder of the County of
6 San Diego, supplementing the Edison-San Diego Agree-
7 ment of March 8, 1963, in regard to incidents of
8 ownership as tenants in common, waiver of partition,
9 transfer of ownership, and other matters with
10 respect to the San Onofre Nuclear Generating Station,
11 as such agreement may thereafter be amended.

12 1.21 Spur Track Area: An area of land used for railroad
13 spur track, pipelines, and communication lines for
14 the San Onofre Nuclear Generating Station described
15 in an easement granted for such purpose by the
16 United States to Edison and San Diego on May 12,
17 1964, and recorded in Series 5, Book 1964,
18 Page 85888 of Official Records in the office of the
19 County Recorder of the County of San Diego. Such
20 land area consisting of approximately 5.14 acres
21 in the northwest corner of the Marine Corps Base,
22 Camp Pendleton, California, is shown in Exhibit A.

23 1.22 Station Site: The Access Road Area, the Spur Track
24 Area, the Off-Shore Land, Subsequent Acquisitions,
25 and that portion of the Plant Site not included with-
26 in either the Edison or San Diego Switchyard Area.

- 1.23 Subsequent Acquisition: Any future acquisition by either Edison or San Diego of land or land rights necessary for the operation and maintenance of Unit 1.
- 1.24 Unit 1: The first nuclear generating unit, consisting of a nuclear steam supply system, a turbine-generator designed to generate approximately 450 megawatts (gross) of electric power, and all related equipment and facilities which are necessary for the safe and efficient generation of electricity therefrom installed on the Plant Site, the Access Road Area, the Spur Track Area, and the Off-Shore Land, but excluding the Edison Switchyard, San Diego Switchyard, and Nuclear Information Center.
- 1.25 Unit 1 220-kv Output: The output in kilowatts of Unit 1 delivered to and measured at the Edison 220-kv Switchyard.
- 1.26 Unit 1 Auxiliary "C" Transformer: The 138/4-kv, three-phase transformer connected to the San Diego Switchyard to supply a portion of the Unit 1 auxiliary power requirement.
- 1.27 Unit 1 Auxiliary "C" Transformer Demand: The demand in kilowatts of the Unit 1 Auxiliary "C" Transformer delivered from and measured at the San Diego Switchyard.
- 1.28 Unit 1 Current Operating Capacity: The maximum

1 Unit 1 Net Output available to the Edison and
2 San Diego Transmission Lines at any given time.

3 1.29 Unit 1 Effective Operating Capacity: The full load
4 net electrical capability of Unit 1 as established
5 from time to time pursuant to performance tests
6 within the operating limits authorized by the
7 Atomic Energy Commission, which is reported to
8 regulatory agencies and others as the effective
9 operating capacity of Unit 1.

10 1.30 Unit 1 Insurance: Insurance coverages (including
11 the Government Indemnity Agreement referred to in
12 Section 10.2.1 hereof) for Unit 1, the Station Site,
13 and Edison personnel regularly assigned to Unit 1,
14 to be provided by Edison or Edison and San Diego
15 pursuant to Sections 10.1 and 10.2 hereof.

16 1.31 Unit 1 Minimum Output: The minimum Unit 1 Net
17 Output at which Unit 1 can be satisfactorily
18 operated.

19 1.32 Unit 1 Net Output: Unit 1 220-kv Output less the
20 simultaneous Unit 1 Auxiliary "C" Transformer
21 Demand.

22 1.33 Unit 1 Operating Impairment: Any unanticipated
23 event or circumstance, including any action, order,
24 or directive of any regulatory authority having
25 competent jurisdiction, which at the time of such
26 event or circumstance either reduces or has the

1 reasonably anticipated effect of reducing the genera-
2 tion of electric energy by Unit 1, or the operating
3 reliability of Unit 1.

4 1.34 Willful Action:

5 1.34.1 Action taken or failed to be taken by a
6 Company at the direction of its directors,
7 corporate officers or employees having
8 management responsibility affecting its
9 performance under any of the San Onofre
10 Agreements, which action:

11 1.34.1.1 is knowingly or intentionally
12 taken or failed to be taken with
13 conscious indifference to the
14 consequences thereof or with
15 intent that injury or damage
16 would result or probably would
17 result therefrom;

18 1.34.1.2 has been determined by final
19 arbitration award or final
20 judgment or judicial decree to be
21 a material default under any of
22 the San Onofre Agreements and
23 which action occurs or continues
24 beyond the time specified in such
25 arbitration award or judgment or
26 judicial decree for curing such

1 default, or if no
2 time to cure is
3 specified therein,
4 occurs or continues
5 thereafter beyond a
6 reasonable time to
7 cure such default;

8 1.34.1.3 is knowingly or
9 intentionally taken
10 or failed to be taken
11 with the knowledge that
12 such action taken or
13 failed to be taken is
14 a material default
15 under any of the San
16 Onofre Agreements.

17 1.34.2 Willful Action does not include
18 any act or failure to act which
19 is merely involuntary, acci-
20 dental or negligent.

21 1.34.3 The phrase "employees having
22 management responsibility"
23 as used in this Section 1.34
24 means the employees of a
25 Company who are responsible
26 for one or more of the

1 executive functions of plan-
2 ning, organizing, coordinating,
3 directing, controlling, and
4 supervising such Company's
5 performance under any of the
6 San Onofre Agreements, with
7 responsibility for results.
8 Included among such employees
9 for Edison are the Generating
10 Station Superintendent,
11 referred to in Section 3.2.1
12 hereof and, during his
13 absence from the station, the
14 Edison employee who has been
15 designated to act and is act-
16 ing for the Generating Sta-
17 tion Superintendent, and
18 such employee's non-field
19 supervisors who are respon-
20 sible for one or more of said
21 executive functions.

22 2. PARTICIPATION IN THE OPERATION AND
23 MAINTENANCE OF THE SAN ONOFRE
24 NUCLEAR GENERATING STATION

25 2.1 Edison shall, for the term of this agreement, per-
26 form all operation and maintenance of Unit 1 and the

1 Station Site upon the terms, covenants, and condi-
2 tions set forth herein. The operation and mainte-
3 nance of Additional Generating Units shall be
4 provided for in subsequent agreements.

5 2.2 Edison shall perform the operation and maintenance
6 of Unit 1 and the Station Site in accordance with
7 standards comparable to those followed at Edison's
8 other thermal generating plants and in accordance
9 with generally accepted electric utility industry
10 standards and practices, subject to any requirements
11 imposed by the Atomic Energy Commission or any other
12 regulatory agency having jurisdiction over such
13 operation and maintenance.

14 2.3 San Diego and Edison through the Board of Review
15 will jointly make policy determinations concerning
16 the operation and maintenance and use of Unit 1 and
17 the Station Site; provided, however, that all matters
18 relating to Additional Generating Units shall be
19 subject to Section 3 of the San Onofre Ownership
20 Agreement. In addition, San Diego will be entitled
21 to participate in and review the operation and
22 maintenance of Unit 1 and the Station Site, as
23 herein provided, through its designated representa-
24 tives, in order that San Diego may realize value
25 from Unit 1 both as a power generating resource and
26 as a source of nuclear power plant operating

1 experience; provided, however, such participation
2 and review by San Diego shall be conducted in a
3 manner and at times that will not materially hamper
4 or materially increase the costs of the operation
5 and maintenance of Unit 1 and the Station Site.

6 2.4 Edison shall operate and maintain the Edison Switch-
7 yard and San Diego shall operate and maintain the
8 San Diego Switchyard in accordance with the San
9 Onofre Interconnection Agreement. Neither Edison
10 nor San Diego shall separate its system from Unit 1
11 or from the system of the other Company at the San
12 Onofre Nuclear Generating Station in such a manner
13 as to interfere with the operation and maintenance
14 of Unit 1 or restrict the use by the other Company
15 of its entitlement in the capacity and energy of
16 Unit 1 except as provided in the San Onofre Inter-
17 connection Agreement.

18 3. BOARD OF REVIEW AND LIAISON

19 3.1 A Board of Review is hereby established to consist
20 of one member, and an alternate authorized to act
21 in the absence of such member, appointed by each
22 Company within ten days after the date of execution
23 of this agreement. The Board of Review shall hold
24 meetings at such times and places as may be neces-
25 sary to carry out its duties hereunder. Any action,
26 agreement or determination made by the Board of

1 Review shall be reduced to writing and shall become
2 effective when signed by the member from each Company
3 or an authorized alternate. Meetings may be called
4 by either member by giving written notice of the
5 time, place, and agenda at least seven days in
6 advance; except that the members may waive such
7 notice. It shall be the duty of the Board of Review
8 to review and approve the following with respect to
9 Unit 1 and the Station Site:

- 10 3.1.1 The annual capital expenditures budget;
- 11 3.1.2 The annual manpower budget;
- 12 3.1.3 The annual operation and maintenance
13 expense budget;
- 14 3.1.4 The annual fuel expense budget;
- 15 3.1.5 The establishment of the Unit 1 Effective
16 Operating Capacity;
- 17 3.1.6 The schedule of planned outages for over-
18 hauls, inspections, and refueling operations;
- 19 3.1.7 Procedures for providing nuclear training
20 for Edison and San Diego employees and for
21 personnel other than employees of the
22 Companies; and
- 23 3.1.8 Other matters as are set forth in this
24 agreement and the San Onofre Interconnection
25 Agreement.

26 In addition, the Board of Review shall resolve any

1 questions arising in the implementation of this
2 agreement which cannot be resolved by the respective
3 Company representatives appointed pursuant to
4 Section 3.2 hereof and perform such other duties as
5 may be agreed to by the Companies from time to time.

6 3.2 Each Company will designate qualified representa-
7 tives, and alternates authorized to act in the
8 absence of such representatives, as listed below,
9 who shall contact each other directly regarding
10 operating and maintenance matters and shall be
11 responsible for developing procedures as required to
12 provide for effective liaison between the Companies.

13 3.2.1 A Generating Station Superintendent to
14 be appointed by Edison to directly supervise
15 the operation and maintenance of Unit 1 and
16 the Station Site and to be the primary
17 Edison contact on all Unit 1 matters not
18 delegated to other Edison representatives.

19 3.2.2 A San Diego Plant Representative to be
20 appointed by San Diego and to be the primary
21 San Diego contact on all Unit 1 matters not
22 delegated to other San Diego representatives.
23 Such representative shall, subject to AEC
24 regulations:

25 3.2.2.1 Be subject to all plant rules and
26 regulations to the same extent as

1 the Generating Station Super-
2 intendent.
3 3.2.2.2 Have access to the plant at any
4 time to the same extent as the
5 Generating Station Superintendent.
6 3.2.2.3 Have the right to confer with the
7 Generating Station Superintendent
8 at all reasonable times.
9 3.2.2.4 Have access to all plant files
10 except for confidential personnel
11 records.
12 3.2.2.5 Receive copies of plant corre-
13 spondence to the same extent as
14 the Generating Station Superin-
15 tendent except for correspondence
16 dealing with confidential per-
17 sonnel records.
18 3.2.2.6 Have at the plant suitable desk
19 space, file space, furnishings,
20 parking space, and locker facili-
21 ties.
22 3.2.2.7 Have access to and use of such
23 duplicating facilities as may be
24 provided at the plant.
25 3.2.2.8 Be advised as far in advance as
26 possible of special operating and

1 maintenance plans, tests, and
2 other important or out-of-the-
3 ordinary plant activities.

4 3.2.2.9 Be promptly notified of meetings
5 between the Generating Station
6 Superintendent and equipment
7 vendors, personnel from regulatory
8 agencies, etc.

9 3.2.3 The Edison Dispatcher and the San Diego Load
10 Supervisor shall be the primary contacts
11 with regard to the loading of Unit 1 and the
12 delivery of San Diego's share of Unit 1 out-
13 put.

14 3.2.4 A Public Relations Representative to be
15 appointed by each Company to serve as a con-
16 tact on all matters concerning plant visits
17 and tours, other than visits by persons,
18 including Edison and San Diego employees,
19 having business to transact at the plant.

20 3.2.5 A Fiscal Representative to be appointed by
21 each Company to serve as a contact on all
22 matters concerning plant accounting, audits,
23 billing, operation and maintenance expense
24 accounting, and other fiscal matters.

25 3.2.6 An Insurance Representative to be appointed
26 by each Company to serve as a contact on

1 all matters concerning insurance.

2 3.2.7 A Public Information Representative to be
3 appointed by each Company to serve as a
4 contact on all matters concerning publicity
5 and news releases relating to the San Onofre
6 Nuclear Generating Station.

7 3.2.8 An Engineering Representative to be appointed
8 to serve as a point of contact on Unit 1
9 engineering activities, including those
10 related to regulatory and nuclear fuel
11 matters. Such Representatives, when
12 authorized by their respective Companies,
13 may represent them in formal meetings,
14 formal proceedings and negotiations con-
15 cerning regulatory and nuclear fuel matters.

16 3.3 The representatives appointed pursuant to Section
17 3.2 hereof shall have responsibilities for contact
18 and coordination between Edison and San Diego on
19 all Unit 1 and Station Site matters pertaining to
20 their areas of responsibility. It is not intended,
21 however, that this will preclude additional full
22 and free exchange of information at all Company
23 levels.

24 3.4 The representatives appointed pursuant to Section
25 3.1 or Section 3.2 hereof shall serve at the
26 pleasure of the Company by which they are appointed.

1 Each Company shall promptly notify the other Company
2 of the representatives so appointed, or of any
3 changes of said representatives.

4 4. OPERATION AND MAINTENANCE

5 4.1 Edison shall provide all manpower required for the
6 operation and maintenance of Unit 1 and the Station
7 Site. On or before the first of September of each
8 year, Edison shall prepare and submit to the Board
9 of Review, for its review and approval, a manpower
10 budget for Unit 1 and the Station Site for the
11 ensuing calendar year. On or before the fifteenth
12 of October of each year, the Board of Review shall
13 approve a manpower budget for Unit 1 and the Station
14 Site for the ensuing calendar year. Said manpower
15 budget may be revised at any time during the year
16 with the approval of the Board of Review. Edison
17 shall furnish San Diego with job descriptions for
18 each position as required. If personnel in addition
19 to regular Edison employees are required for special
20 testing, operations, maintenance, or other special
21 work, such personnel shall be obtained from regular
22 San Diego employees to the extent that qualified
23 personnel are available, and the use of such per-
24 sonnel by Edison will be economical and practical.
25 San Diego employees so assigned shall work under
26 the direction and supervision of Edison personnel

1 in charge of such special work.

2 4.2 Edison may use Unit 1 facilities and personnel as
3 may be necessary to train employees to man Unit 1.
4 In addition to training personnel for plant manning,
5 the Unit 1 facilities and personnel may be used at
6 the request of either Company to provide nuclear
7 training for its employees in accordance with
8 principles and procedures approved by the Board of
9 Review. Training of personnel, other than employees
10 of the Companies, shall be conducted in accordance
11 with principles and procedures approved by the Board
12 of Review.

13 4.3 Edison shall prepare and issue all station orders
14 and instructions necessary for the operation and
15 maintenance of Unit 1 and the Station Site. Copies
16 of all such instructions and orders will be furnished
17 to the San Diego Plant Representative. To the extent
18 practicable, Edison will consult with the San Diego
19 Plant Representative and will submit such instruc-
20 tions and orders to him for his review and comment
21 prior to issuance.

22 4.4 Edison will procure all materials, equipment, and
23 supplies (except nuclear fuel) necessary for the
24 operation and maintenance of Unit 1 and the Station
25 Site. Edison shall own an undivided eighty (80)
26 percent interest, and San Diego shall own an

1 undivided twenty (20) percent interest in such
2 materials, equipment, and supplies.

3 4.5 On or before the first of September of each year,
4 Edison will prepare and submit to the Board of
5 Review, for its review and approval, an operating
6 and maintenance expense budget and a fuel expense
7 budget for Unit 1 and the Station Site for the
8 ensuing calendar year. On or before the fifteenth
9 of October of each year, the Board of Review shall
10 approve an operating and maintenance expense budget
11 and a fuel expense budget for Unit 1 and the Station
12 Site for the ensuing calendar year. Said operating
13 and maintenance expense and fuel expense budgets may
14 be revised at any time with the approval of the
15 Board of Review.

16 4.6 Edison and San Diego shall enter into agreements
17 between themselves or jointly with third parties
18 with respect to the procurement, ownership, manage-
19 ment, and reprocessing of nuclear fuel required for
20 the operation of Unit 1.

21 4.7 Edison, in consultation with San Diego, shall pre-
22 pare and submit annually to the Board of Review,
23 for its review and approval prior to the fifteenth
24 of October of each year, a schedule of planned
25 outages for overhauls, inspections, and refueling
26 operations for Unit 1 for the ensuing five-year

1 period. Other scheduled outages for Unit 1 shall be
2 planned by Edison in consultation with San Diego.
3 Edison, as plant operator, shall have the authority
4 for taking an unscheduled outage of Unit 1 or limit-
5 ing the Unit 1 Current Operating Capacity if, in
6 Edison's judgment, such action is necessary for the
7 safety of personnel, to prevent damage to equipment,
8 or to perform emergency repairs or maintenance. To
9 the extent practicable, the Edison Dispatcher shall
10 consult with the San Diego Load Supervisor in order
11 to take such unscheduled outages or limit the
12 Unit 1 Current Operating Capacity at times mutually
13 agreed upon.

14 4.8 The Edison Dispatcher and the San Diego Load Super-
15 visor shall contact each other regarding day-to-day
16 Unit 1 operating matters, and the San Diego Load
17 Supervisor shall notify the Edison Dispatcher of
18 San Diego's desired output of Unit 1. With respect
19 to such matters, the Edison Dispatcher shall issue
20 all orders to the Unit 1 control operator, except
21 as otherwise provided in emergency operating pro-
22 cedures approved by the Board of Review.

23 4.9 San Diego shall provide a direct communication link
24 between the San Diego Load Supervisor and the Unit 1
25 control room so that San Diego may be advised of and
26 may obtain first-hand information about plant

1 conditions. To the extent practicable, the Unit 1
2 control operator will simultaneously advise the
3 Edison Dispatcher and the San Diego Load Supervisor
4 of plant operating conditions.

5 4.10 Edison shall prepare and maintain records and
6 reports required in connection with the operation
7 and maintenance of Unit 1 and the Station Site.
8 San Diego shall be supplied with a tabulation of all
9 records and reports routinely prepared and main-
10 tained and shall be supplied with copies of such
11 records and reports as it requires. A copy of any
12 special report required in connection with the
13 operation and maintenance of Unit 1 and the Station
14 Site shall be supplied to San Diego. Through
15 appropriate representatives, San Diego will advise
16 Edison of information needed for regulatory reports
17 to be submitted by San Diego, and Edison will make
18 such information available to San Diego in a timely
19 manner. San Diego also will be furnished a list of
20 all plant drawings, equipment, specifications,
21 manufacturers' operating manuals, etc., and will be
22 supplied with at least one copy of such of these
23 items as it requests.

24 4.11 The Edison and San Diego Public Relations Repre-
25 sentatives, in consultation with the Generating
26 Station Superintendent, will prepare and submit

1 to the Board of Review, for its review and approval,
2 rules and procedures covering plant visits and tours.

3 4.12 In the event the operating and maintenance expense
4 budget, the fuel expense budget, the manpower budget,
5 or any revision of any of such budgets has been
6 submitted but has not been approved by the Board of
7 Review as provided in Sections 4.1 and 4.5 hereof,
8 Edison shall continue to take all actions necessary
9 for the operation and maintenance of Unit 1 and the
10 Station Site until the budget or revision in ques-
11 tion is approved.

12 5. ALLOCATION OF CAPACITY AND SCHEDULING OF ENERGY

13 5.1 Edison and San Diego shall each have a capacity
14 entitlement in Unit 1 equal to eighty (80) percent
15 and twenty (20) percent, respectively, of the Unit 1
16 Effective Operating Capacity and such capacity
17 entitlements shall be used for reporting and
18 resources planning; provided, however, the amount
19 of Unit 1 capacity available to each of Edison and
20 San Diego shall, at any given time, be equal to
21 eighty (80) percent and twenty (20) percent,
22 respectively, of the Unit 1 Current Operating
23 Capacity. The Edison Dispatcher will keep the San
24 Diego Load Supervisor advised of the Unit 1 Current
25 Operating Capacity.

26 5.2 Edison and San Diego shall each be entitled to

1 schedule generation on Unit 1 (including associated
2 reactive power), for its account at any time, up to
3 the amount of Unit 1 Current Operating Capacity
4 available to it.

5 5.3 Unit 1 shall be operated whenever Edison or San
6 Diego requests its operation, provided that the
7 Company requesting such operation schedules genera-
8 tion, for its account, in an amount at least equal
9 to eighty (80) percent, for Edison, or twenty (20)
10 percent, for San Diego, of the Unit 1 Minimum Output.
11 A Company not requesting operation shall, neverthe-
12 less, be required to schedule additional generation
13 to the extent necessary to increase load to the
14 Unit 1 Minimum Output.

15 5.4 Metering devices have been installed in the Edison
16 and San Diego Switchyards to provide input to the
17 Edison and San Diego load frequency control equip-
18 ment such that an amount of power equal to the sum
19 of twenty (20) percent of the Unit 1 220-kv Output
20 plus eighty (80) percent of the Unit 1 Auxiliary "C"
21 Transformer Demand will automatically flow across
22 the interconnection from the Edison Switchyard to
23 the San Diego Switchyard, in addition to any
24 scheduled interchange from Edison to San Diego.
25 Edison and San Diego will thereby automatically
26 receive into their Transmission Lines eighty (80)

1 percent and twenty (20) percent, respectively, of
2 the Unit 1 Net Output. During periods when Unit 1
3 is not generating, Edison and San Diego will thereby
4 automatically supply from their systems eighty (80)
5 percent and twenty (20) percent, respectively, of
6 the Unit 1 auxiliary load.

7 5.5 In the event either Company wishes to receive less
8 than its full entitlement to Unit 1 Net Output, the
9 Edison Dispatcher and the San Diego Load Supervisor
10 will arrange for each Company to receive its desired
11 share of Unit 1 Net Output in accordance with pro-
12 cedures to be approved by the Board of Review.

13 6. CAPITAL IMPROVEMENTS

14 6.1 On or before the first of September of each year,
15 Edison shall prepare and submit to the Board of
16 Review, for its review and approval, a Capital
17 Improvements budget for the ensuing calendar year.
18 On or before the fifteenth of October of each year,
19 the Board of Review shall approve a Capital Improve-
20 ments budget for the ensuing calendar year, which
21 said budget may at any time during the year be
22 revised with the approval of the Board of Review.

23 6.2 Edison shall make all Capital Improvements approved
24 by the Board of Review.

25 6.3 The costs of all Capital Improvements made by Edison
26 pursuant to Sections 6.2, 13 and 14 hereof shall be

1 shared eighty (80) percent by Edison and twenty (20)
2 percent by San Diego.

3 6.4 The costs of any Capital Improvement shall include
4 all costs incurred by Edison which conform to the
5 provisions of Electric Plant Instruction 3 of the
6 FPC Accounts entitled "Components of Construction
7 Cost"; provided, however, for the purpose of billing
8 San Diego for its share of such costs, Edison shall
9 abide by the following qualifications to said
10 Electric Plant Instruction 3:

11 6.4.1 Charges pursuant to Item (8) "Injuries and
12 Damages" and Item (14) "Insurance" shall not
13 include any costs shared by San Diego pur-
14 suant to Section 10 hereof which provides
15 for insurance coverage with respect to
16 Unit 1. However, such charges shall include
17 costs of any injuries or damages arising out
18 of and occurring during the course of con-
19 struction of a Capital Improvement and the
20 cost of any additional insurance which the
21 Insurance Representatives deem necessary to
22 protect the interests of the Companies in
23 such a Capital Improvement prior to the time
24 the coverage provided in Section 10 hereof
25 becomes applicable thereto.

26 6.4.2 Charges pursuant to Item (12) "General

administration capitalized" shall be as follows:

6.4.2.1 If any Capital Improvement is made by Edison forces, the amount of general administration expense (includes pensions and benefits and other administrative and general expenses) allocable to such Capital Improvement shall be determined by multiplying the amount of Edison direct labor costs chargeable thereto by the Capital A&G Ratio. The Capital A&G Ratio shall be determined in accordance with the method shown in Exhibit G. Estimated ratios shall be used and year-end adjustments shall be made in a manner similar to that described in Sections 7.4.1 and 7.4.2 hereof.

6.4.2.2 If any Capital Improvement is made by a contractor, the amount of general administration expense allocable to such Capital Improvement shall be determined by multiplying the total work order cost

1 thereof by 0.01; provided, however,
2 such allocable amount shall not be
3 less than the lesser of \$50.00 or
4 five (5) percent of the total work
5 order cost. As used in this
6 Section 6.4.2.2, "total work order
7 cost" does not include the Edison
8 overhead costs of (1) interest
9 during construction, (2) taxes
10 during construction, (3) injuries
11 and damages, and (4) general
12 administration expense.

13 6.4.2.3 The procedures and ratios involved
14 in determining the amount of
15 general administration expense to
16 be allocated to any Capital
17 Improvement, as described in this
18 Section 6.4.2, shall be reviewed
19 from time to time by the Fiscal
20 Representatives and, if necessary,
21 be revised so that the application
22 thereof shall continue to be
23 equitable to Edison and San Diego.
24 Any such revision shall be agreed
25 to in writing by the Fiscal
26 Representatives and approved by

1 the Board of Review.

2 6.4.3 Charges pursuant to Item (16) "Taxes" shall
3 not include any taxes shared by San Diego
4 pursuant to Section 11 hereof.

5 6.4.4 There shall be no charges made pursuant to
6 Item (17) "Interest during construction".

7 6.5 Edison, at its own expense, shall make all improve-
8 ments to the Edison Switchyard, and San Diego, at its
9 own expense, shall make all improvements to the
10 San Diego Switchyard, as is more fully provided in
11 the San Onofre Interconnection Agreement.

12 7. OPERATION AND MAINTENANCE EXPENSES

13 7.1 The expenses incurred by Edison on behalf of itself
14 and San Diego for the operation and maintenance of
15 Unit 1 and the Station Site which are chargeable to
16 FPC Accounts 517, 519 through 525, inclusive, 528
17 through 532, inclusive, 560, 562, 566, 568, 569,
18 570, and 573 shall be shared eighty (80) percent by
19 Edison and twenty (20) percent by San Diego.

20 Charges to such accounts include the following:

21 7.1.1 Overhead expenses incurred by Edison which
22 are allocable to the operation and mainte-
23 nance of Unit 1 and the Station Site. Such
24 overhead expenses shall be determined in
25 accordance with the allocation procedures
26 shown in Exhibit B.

1 7.1.2 Nuclear training expenses for the initial
2 manning of Unit 1 and for Unit 1 personnel
3 replacements required by normal attrition,
4 such as promotions, resignations or neces-
5 sary transfers. Other nuclear training
6 expenses for the training of personnel to
7 provide manning of other generating facili-
8 ties shall not be charged to the operation
9 and maintenance of Unit 1. Any disagreement
10 with respect to charging any nuclear training
11 expenses to the operation and maintenance of
12 Unit 1 shall be resolved by the Board of
13 Review.

14 7.1.3 Payments made by Edison to San Diego, pur-
15 suant to Section 12.6 hereof, for the use of
16 San Diego personnel in the operation and
17 maintenance of Unit 1 and the Station Site.

18 7.2 Payroll tax expenses incurred by Edison on behalf of
19 itself and San Diego which are allocable to the
20 operation and maintenance of Unit 1 and the Station
21 Site shall be shared eighty (80) percent by Edison
22 and twenty (20) percent by San Diego. The amount of
23 such allocable expenses shall be determined by
24 multiplying the Edison labor cost portion of the
25 expenses determined in accordance with Section 7.1
26 hereof by a decimal fraction, hereinafter referred

1 to as the Payroll Tax Ratio. The Payroll Tax Ratio
2 shall be determined and applied as follows:

3 7.2.1 During each calendar year, an estimated Pay-
4 roll Tax Ratio shall be used to determine
5 the amount of payroll tax expenses to be
6 paid monthly by San Diego. Such estimated
7 Payroll Tax Ratio shall be determined in
8 accordance with the method shown in Exhibit C
9 hereof based on Edison's expenses for the
10 preceding year; provided, however, by agree-
11 ment of the Fiscal Representatives, such
12 ratio may be changed to more nearly reflect
13 the expected expenses of the current year.

14 7.2.2 As soon as practicable after the end of each
15 calendar year, the actual Payroll Tax Ratio
16 for such year shall be determined in accord-
17 ance with the method shown in Exhibit C
18 hereof. Using said actual Payroll Tax Ratio,
19 the payroll tax expenses for which San Diego
20 is obligated hereunder shall be determined
21 for such year. To the extent that such
22 expenses are more or less than those already
23 paid by San Diego during said year, Edison
24 shall receive from or pay to San Diego, as
25 the case may be, the amount of such
26 difference.

1 7.3 Pensions and benefits expenses (including payroll
2 tax expenses and Workmen's Compensation expenses
3 applicable thereto) incurred by Edison on behalf of
4 itself and San Diego which are allocable to the
5 operation and maintenance of Unit 1 and the Station
6 Site shall be shared eighty (80) percent by Edison
7 and twenty (20) percent by San Diego. The amount of
8 such allocable expenses shall be determined by multi-
9 plying the Edison labor cost portion of the expenses
10 determined in accordance with Section 7.1 hereof by
11 a decimal fraction, hereinafter referred to as the
12 Benefits Ratio. The Benefits Ratio shall be deter-
13 mined and applied as follows:

14 7.3.1 During each calendar year, an estimated
15 Benefits Ratio shall be used to determine
16 the amount of pensions and benefits expenses
17 to be paid monthly by San Diego. Such
18 estimated Benefits Ratio shall be determined
19 in accordance with the method shown in
20 Exhibit E hereof based on Edison's expenses
21 for the preceding year; provided, however,
22 by agreement of the Fiscal Representatives,
23 such ratio may be changed to more nearly
24 reflect the expected expenses of the current
25 year.

26 7.3.2 As soon as practicable after the end of each

1 calendar year, the actual Benefits Ratio for
2 such year shall be determined in accordance
3 with the method shown in Exhibit E hereof.
4 Using said actual Benefits Ratio, the pen-
5 sions and benefits expenses for which San
6 Diego is obligated hereunder shall be deter-
7 mined for such year. To the extent that
8 such expenses are more or less than those
9 already paid by San Diego during said year,
10 Edison shall receive from or pay to San
11 Diego, as the case may be, the amount of
12 such difference.

13 7.4 Administrative and general expenses (including pay-
14 roll tax expenses, Workmen's Compensation expenses,
15 and pensions and benefits expenses applicable there-
16 to) incurred by Edison on behalf of itself and San
17 Diego which are allocable to the operation and
18 maintenance of Unit 1 and the Station Site shall be
19 shared eighty (80) percent by Edison and twenty (20)
20 percent by San Diego. The amount of such allocable
21 expenses shall be determined by multiplying the
22 Edison labor cost portion of the expenses deter-
23 mined in accordance with Section 7.1 hereof by a
24 decimal fraction, hereinafter referred to as the
25 A & G Ratio. The A & G Ratio shall be determined
26 and applied as follows:

1 7.4.1 During each calendar year, an estimated
2 A & G Ratio shall be used to determine the
3 amount of administrative and general expenses
4 to be paid monthly by San Diego. Such esti-
5 mated A & G Ratio shall be determined in
6 accordance with the method shown in
7 Exhibit F hereof based on Edison's expenses
8 for the preceding year; provided, however,
9 by agreement of the Fiscal Representatives,
10 such ratio may be changed to more nearly
11 reflect the expected expenses of the current
12 year.

13 7.4.2 As soon as practicable after the end of each
14 calendar year, the actual A & G Ratio for
15 such year shall be determined in accordance
16 with the method shown in Exhibit F hereof.
17 Using said actual A & G Ratio, the adminis-
18 trative and general expenses for which San
19 Diego is obligated hereunder shall be deter-
20 mined for such year. To the extent that such
21 expenses are more or less than those already
22 paid by San Diego during said year, Edison
23 shall receive from or pay to San Diego, as
24 the case may be, the amount of such
25 difference.

26 7.5 The procedures referred to in Section 7.1.1 hereof

1 and the methods for determining and applying the
2 Payroll Tax Ratio, Benefits Ratio, and A & G Ratio
3 referred to in Sections 7.2, 7.3, and 7.4 hereof
4 shall be reviewed from time to time by the Fiscal
5 Representatives and, if necessary, be revised so
6 that the application thereof shall continue to be
7 equitable to Edison and San Diego. Any such revision
8 shall be agreed to in writing by the Fiscal
9 Representatives and approved by the Board of Review.

10 7.6 Nuclear training expenses incurred prior to
11 January 1, 1967, for the initial manning of Unit 1
12 which have been charged to FPC Account 926 shall be
13 shared eighty (80) percent by Edison and twenty (20)
14 percent by San Diego. Any training expenses for
15 Unit 1 personnel incurred on or after January 1,
16 1967, which are charged to FPC Account 926 shall be
17 shared through application of the Benefits Ratio
18 pursuant to Section 7.3 hereof.

19 7.7 Each Company shall pay all expenses of its representatives
20 referred to in Section 3 hereof except
21 for such expenses properly chargeable to Unit 1.

22 7.8 Edison shall pay all operation and maintenance
23 expenses of the Edison Switchyard and San Diego
24 shall pay all operation and maintenance expenses of
25 the San Diego Switchyard. Such expenses shall not
26 be shared by the Companies in connection with the

1 operation and maintenance of Unit 1 except for the
2 costs of meter tests as specified in Section 13.

3 7.9 Edison shall pay directly to the United States its
4 eighty (80) percent share and San Diego shall pay
5 directly to the United States its twenty (20) per-
6 cent share of the annual use charges due under the
7 terms and conditions of the grants of easements for
8 the Plant Site, Spur Track Area, and Access Road
9 Area.

10 8. NUCLEAR FUEL COSTS

11 8.1 During the term of the Fuel Service Contract, Edison
12 shall make all payments to and receive all moneys
13 and credits from Westinghouse, the Atomic Energy
14 Commission, and others, which arise under the Fuel
15 Service Contract and directly related contracts.
16 San Diego shall pay to Edison its share of such
17 payments and shall receive from Edison its share
18 of moneys and credits, as hereinafter specified, in
19 the manner provided in Section 12 hereof.

20 8.2 Payments for fuel under Article VI-C of the Fuel
21 Service Contract shall be shared as follows:

22 8.2.1 The fixed monthly payment shall be shared
23 eighty (80) percent by Edison and twenty (20)
24 percent by San Diego.

25 8.2.2 The portion of all energy payments equal to
26 the zero net load fuel costs for Unit 1

1 shall be shared eighty (80) percent by Edison
2 and twenty (20) percent by San Diego. Such
3 zero net load fuel costs shall be determined
4 each billing period in accordance with pro-
5 cedures to be approved by the Board of
6 Review.

7 8.2.3 The remaining portion of all energy payments
8 shall be shared by Edison and San Diego in
9 direct proportion to the amount of energy
10 delivered for the account of each Company
11 from Unit 1 during the period covered by
12 such payments.

13 8.3 Any additional payment (including any non-California
14 taxes associated with reprocessing charges) or credit
15 which may arise under Article VII of the Fuel Service
16 Contract, except for those arising under Subdivision
17 D, shall be shared by Edison and San Diego in direct
18 proportion to the sums of the energy payments
19 charged to each Company under Sections 8.2.2 and
20 8.2.3 hereof, during the period in which the fuel,
21 to which such additional payment or credit applies,
22 was used; provided, however, if any such additional
23 payment or credit applies to fuel which will be used
24 in the future, it shall be shared initially eighty
25 (80) percent by Edison and twenty (20) percent by
26 San Diego and appropriate adjustments shall be

1 made periodically, as such fuel shall be used, to
2 provide sharing of such additional payment or credit
3 as first specified above in this Section 8.3.

4 8.4 Any additional payment with respect to California
5 State and local sales and use taxes which may arise
6 under Article VIII of the Fuel Service Contract shall
7 be shared by Edison and San Diego in the same propor-
8 tion as they share (or shared) the payments to which
9 said taxes apply. Any other payments which may arise
10 under Article VIII of the Fuel Service Contract shall
11 be shared eighty (80) percent by Edison and twenty
12 (20) percent by San Diego.

13 8.5 For the purpose of establishing a scheduled refuel-
14 ing date with Westinghouse pursuant to Article III
15 of the Fuel Service Contract, Edison and San Diego
16 each shall estimate the rate at which it expects to
17 schedule energy from Unit 1 during the remaining
18 period of operation before refueling and each shall
19 advise the other thereof. Any additional payment
20 which may be required under Article III-B or
21 Article III-D of the Fuel Service Contract, as a
22 result of scheduling energy from Unit 1 at a lesser
23 rate than that estimated, shall be shared by Edison
24 and San Diego in direct proportion to the amounts by
25 which the amounts of energy estimated to be scheduled
26 from Unit 1 exceed the amounts of energy actually

1 taken from Unit 1 by each Company. Neither Company
2 shall schedule energy at a rate greater than that
3 estimated during the remaining period of operation
4 before refueling, without the consent of the other
5 Company.

6 8.6 Any additional payments which may arise under
7 Article III-C of the Fuel Service Contract, as a
8 result of operating Unit 1 at less than ninety (90)
9 percent capacity factor, shall be shared by Edison
10 and San Diego in direct proportion to the amounts,
11 if any, by which the amounts of energy corresponding
12 to ninety (90) percent capacity factor operation
13 exceed the amounts of energy actually taken from
14 Unit 1 by each Company.

15 8.7 All other payments, costs, charges, or credits which
16 may arise under or in connection with the Fuel
17 Service Contract or directly related contracts, or
18 any other agreed upon costs incurred by Edison on
19 behalf of itself and San Diego for the operation of
20 Unit 1 which are chargeable to FPC Accounts 157,
21 158, 159 or 518 shall be shared eighty (80) percent
22 by Edison and twenty (20) percent by San Diego
23 unless otherwise determined by the Board of Review.

24 9. ENVIRONMENTAL RADIATION MONITORING

25 Edison shall perform or cause to be performed all
26 environmental radiation monitoring activities which are

1 necessary in connection with the operation of Unit 1,
2 including those which must be performed outside of or
3 away from the San Onofre Nuclear Generating Station.
4 Such activities include, but are not limited to, (i) the
5 procurement, installation, operation, and maintenance of
6 monitoring equipment and supplies, (ii) the collection
7 and analysis of data, and (iii) the reporting of such
8 activities and analyses to governmental agencies and
9 others. All costs incurred by Edison in connection with
10 or allocable to such environmental radiation monitoring
11 activities shall be shared eighty (80) percent by Edison
12 and twenty (20) percent by San Diego.

13 10. INSURANCE

14 10.1 For the protection of Edison and San Diego with
15 respect to liabilities and risks arising out of the
16 ownership, operation, or maintenance of Unit 1 and
17 the Station Site, Edison shall secure and maintain
18 in force policies of insurance of the following
19 types, in form, and with companies satisfactory to
20 the Insurance Representatives, and with premiums to
21 be shared by Edison and San Diego as set forth in
22 Section 10.3 hereof. Such insurance coverage shall
23 be subject to periodic review and revision to assure
24 the maintenance of insurance protection as deemed
25 to be required by mutual agreement of the Insurance
26 Representatives. In the event of any disagreement

1 concerning the securing of or the subsequent revi-
2 sion of such insurance coverage, the matter shall be
3 submitted to the Board of Review.

4 10.1.1 Comprehensive General Liability Insurance -
5 Non-nuclear (Including Motor Vehicles)

6 Edison shall extend its comprehensive
7 general liability insurance to provide
8 coverage for Unit 1 and the Station Site
9 with San Diego added as an additional named
10 insured respecting such coverage.

11 10.1.2 Workmen's Compensation and Employers'
12 Liability Insurance

13 Edison shall extend its Workmen's Com-
14 pensation and Employers' Liability Insurance
15 to the extent of permissible self-insurance
16 and insured excess to include operating and
17 maintenance personnel of Edison regularly
18 assigned to Unit 1.

19 10.1.3 Physical Damage Insurance - Non-nuclear

20 To the extent possible, Edison shall
21 extend coverage under its Physical Damage
22 Insurance policies to provide non-nuclear
23 physical damage coverage for Unit 1 and the
24 Station Site for risks not covered by the
25 nuclear property damage insurance referred
26 to in Section 10.2.2 hereof, with San Diego

1 added as an additional named insured respect-
2 ing such coverage. This insurance is
3 applicable to all real and personal property
4 of every description, subject to policy
5 exclusions. In the event Edison is unable
6 to obtain such coverage for Unit 1 and the
7 Station Site under its present program,
8 such coverage shall be provided in the
9 manner and to the extent agreed upon by the
10 Insurance Representatives.

11 10.2 Nuclear Insurance

12 Edison and San Diego shall secure and maintain in
13 force the following insurance and other coverages
14 with respect to Unit 1 and the Station Site:

15 10.2.1 Protection against liability arising out
16 of, or resulting from, a "nuclear incident"
17 as defined in the Atomic Energy Act of
18 1954, as amended, to include (a) liability
19 insurance from the Nuclear Energy
20 Liability Insurance Association and/or
21 the Mutual Atomic Energy Liability Under-
22 writers, or equivalent insurance in such
23 amount and in such form as shall meet
24 the financial protection requirements of
25 the Atomic Energy Commission pursuant to
26 Subsection 170(b) of the Atomic Energy

1 Act of 1954, as amended; and (b) a
2 Government Indemnity Agreement with the
3 Atomic Energy Commission pursuant to the
4 Subsection 170(c) of the Atomic Energy
5 Act of 1954, as amended; and

6 10.2.2 Nuclear property damage insurance from the
7 Nuclear Energy Property Insurance Associa-
8 tion and/or the Mutual Atomic Energy
9 Reinsurance Pool, or equivalent insurance,
10 and any additional nuclear property damage
11 insurance coverage, in such amount and such
12 form as are agreed upon by the Insurance
13 Representatives.

14 10.3 The premium costs allocable to the additional non-
15 nuclear insurance coverage with respect to Unit 1
16 and the Station Site described in Section 10.1
17 hereof and for the nuclear insurance described in
18 Section 10.2 hereof shall be shared eighty (80)
19 percent by Edison and twenty (20) percent by San
20 Diego. All dividends, return premiums, and credits
21 received respecting Unit 1 insurance policies
22 shall be shared in the same proportions.

23 10.4 San Diego shall provide, at its sole expense,
24 Workmen's Compensation and Employers' Liability
25 Insurance to cover the San Diego Plant Representa-
26 tive, San Diego personnel used for special work on

1 Unit 1 pursuant to Section 4.1 hereof, San Diego
2 personnel receiving training at the San Onofre
3 Nuclear Generating Station pursuant to Section 4.2
4 hereof, and any other San Diego personnel while at
5 the San Onofre Nuclear Generating Station.

6 10.5 Edison shall investigate, adjust and settle claims
7 asserted by any party other than a Company against
8 the Companies or either of them, which are claims
9 of the type referred to in Section 16.3 hereof;
10 however, San Diego shall investigate, adjust and
11 settle claims asserted by any of its ultimate
12 consumers, which are claims of the type referred to
13 in Section 16.4 hereof. At the request of Edison,
14 San Diego shall assist in the investigation, adjust-
15 ment and settlement of any such claims.

16 10.6 Edison shall present and prosecute claims for
17 losses and damages against any insurer or third
18 party. Costs incurred by Edison in presenting and
19 prosecuting such claims and any other costs
20 incurred by Edison arising out of the operation
21 and maintenance of Unit 1 and the Station Site
22 which are chargeable to FPC Account 924, will be
23 shared eighty (80) percent by Edison and twenty
24 (20) percent by San Diego.

25 10.7 Through the appointed Insurance Representatives,
26 Edison shall consult with San Diego on matters

1 of insurance with respect to Unit 1 and the Station
2 Site and shall provide San Diego copies of the
3 following:

4 10.7.1 Policies of nuclear insurance and certifi-
5 cates of insurance applicable to non-nuclear
6 coverages in effect.

7 10.7.2 Invoices applicable to insurance costs.

8 10.7.3 Notices of losses in excess of \$1,000
9 applicable to physical damage, third party
10 liability, and Workmen's Compensation.

11 10.7.4 Notices of Workmen's Compensation claims
12 filed with the Workmen's Compensation
13 Appeals Board.

14 10.7.5 Annual summaries of Workmen's Compensation
15 claims..

16 10.7.6 Status reports of all claims involving a
17 potential loss in excess of \$1,000.

18 10.8 San Diego shall pay to Edison its share of premium
19 costs and other insurance costs in the manner
20 provided in Section 12 hereof.

21 11. AD VALOREM TAXES

22 11.1 Edison and San Diego shall use their best efforts to
23 have any taxing authority imposing ad valorem taxes
24 or assessments on the San Onofre Nuclear Generating
25 Station assess and levy such taxes and assessments
26 directly against each Company on the basis of its

1 percentage ownership in the property taxed.

2 11.2 All ad valorem taxes or assessments so levied
3 against each Company shall be the sole responsi-
4 bility of the Company upon whom said taxes or
5 assessments are levied.

6 11.3 If any ad valorem taxes or assessments are assessed
7 and levied in a manner other than that specified in
8 Section 11.1 hereof, it shall be the responsibility
9 of the Board of Review to establish procedures for
10 the equitable apportionment of such taxes or assess-
11 ments and the payment thereof.

12 12. PAYMENTS

13 12.1 As soon as practicable after the date of execution
14 of this agreement, Edison shall submit to San Diego
15 an accounting report showing:

16 12.1.1 All expenditures in connection with the
17 operation and maintenance of Unit 1 and
18 the Station Site (except for such expendi-
19 tures which have been or will be capitalized
20 and shared under the Edison-San Diego
21 Agreement) which have been made by Edison
22 on behalf of itself and San Diego on or
23 before the last day of the calendar month
24 in which this agreement is executed;

25 12.1.2 San Diego's share of such expenditures
26 determined in accordance with the

provisions of Sections 6, 7, 8, 9, 10, 14,
15 and 16 hereof;

12.1.3 The month and year in which such expendi-
tures were made; and

12.1.4 The amount of interest then due on San
Diego's share of such expenditures computed
from the fifteenth day of the month in
which such expenditures were made at the
rate of six (6) percent per annum.

12.2 San Diego shall pay to Edison its share of the
expenditures and accumulated interest shown in said
accounting report within ten days after receipt by
San Diego of said accounting report.

12.3 With respect to Unit 1 and Station Site expenditures
made after the last day of the calendar month in
which this agreement is executed, Edison shall
notify San Diego of San Diego's share of such Unit 1
and Station Site expenditures made pursuant to
Sections 6, 7, 9, 14, 15 and 16 hereof and San Diego
shall pay its share of such expenditures to Edison,
in the manner specified below:

12.3.1 On or before the first day of each calendar
month, Edison shall submit in writing to
San Diego (a) an estimate of all such
expenditures which Edison expects to make
on behalf of itself and San Diego during

1 that calendar month, (b) an estimate of
2 San Diego's share of such expenditures
3 determined in accordance with the provisions
4 of this agreement, and (c) the amount of
5 money to be paid by San Diego in payment of
6 its share of expenditures. In determining
7 such amount, Edison shall take account of
8 any unexpended balance of funds previously
9 advanced by San Diego pursuant hereto or
10 any deficiency in funds previously so
11 advanced by San Diego.

12 12.3.2 San Diego shall pay to Edison the amount of
13 money so specified on or before the
14 fifteenth day of the calendar month for
15 which expenditures have been estimated.

16 12.3.3 As soon as practicable after the close of
17 each calendar month, Edison shall furnish to
18 San Diego an accounting report covering all
19 Unit 1 and Station Site costs incurred by
20 Edison on behalf of itself and San Diego
21 during that month.

22 12.3.4 Upon termination of this agreement and after
23 all Unit 1 and Station Site costs incurred
24 under this agreement have been determined,
25 Edison shall pay to San Diego any unexpended
26 balance of funds previously advanced by

1 San Diego or San Diego shall pay to Edison
2 any deficiency in funds previously advanced
3 by San Diego.

4 12.4 With respect to expenditures to be made pursuant to
5 Section 8 hereof after the last day of the calendar
6 month in which this agreement is executed, Edison
7 shall notify San Diego and San Diego shall pay its
8 share of such expenditures in the manner specified
9 below:

10 12.4.1 Not less than five business days prior to
11 the date Edison must make such expenditures,
12 Edison shall provide San Diego with a
13 written statement of San Diego's share of
14 such expenditures.

15 12.4.2 San Diego shall pay its share of such
16 expenditures to Edison no later than the
17 date Edison must make such expenditures.

18 12.4.3 In the event Edison is unable to make an
19 accurate determination of San Diego's share
20 in sufficient time to give San Diego the
21 notice provided for in Section 12.4.1
22 hereof, Edison shall estimate San Diego's
23 share and San Diego shall pay such esti-
24 mated amount. The following billing will
25 be adjusted by the amount such estimated
26 share differs from San Diego's actual

1 share subsequently determined.

2 12.4.4 Upon written agreement of the Fiscal
3 Representatives, San Diego may pay its share
4 of all or any of the expenditures described
5 in Section 8 hereof, other than payments to
6 Westinghouse, the Atomic Energy Commission,
7 or the fuel reprocessor, in the manner
8 described in Section 12.3 hereof.

9 12.5 With respect to expenditures to be made by Edison
10 pursuant to Section 10 hereof after the last day of
11 the calendar month in which this agreement is
12 executed, Edison shall provide San Diego a written
13 statement of San Diego's share of such expenditures
14 not less than eight business days in advance of the
15 date Edison must make such expenditures. San Diego
16 shall pay its share of such expenditures to Edison
17 no later than the date that Edison must make such
18 expenditures.

19 12.6 If and to the extent that San Diego personnel are
20 used for special work on Unit 1 and the Station
21 Site, as provided in Section 4.1 hereof, San Diego
22 shall pay all wages, salaries, and other expenses
23 associated with such use of San Diego personnel.
24 San Diego shall advise Edison in advance of the
25 basis of the charges to be made by San Diego for
26 the use of its personnel and Edison shall make

1 payment to San Diego thereof on completion or dur-
2 ing the course of such work, as the Companies may
3 agree. Edison shall charge any such payment to
4 Unit 1 and the Station Site.

5 12.7 The accounting reports submitted by Edison covering
6 Unit 1 and Station Site costs shall be in a form
7 satisfactory to San Diego with sufficient detail to
8 enable San Diego to allocate costs to the proper
9 FPC Accounts and to ascertain the accuracy and
10 correctness of such costs.

11 12.8 San Diego shall have the right to post-audit the
12 books and records of Edison pertaining to Unit 1 and
13 the Station Site. Should any post-audit reveal
14 errors, omissions or items not properly chargeable
15 to Unit 1 and the Station Site or to San Diego in
16 the amounts billed, appropriate adjustments shall
17 be made.

18 12.9 Annually or at such other intervals agreed upon by
19 the Fiscal Representatives, Edison shall prepare
20 and distribute complete compilations of Unit 1 and
21 Station Site costs which are required for fiscal
22 purposes by the Companies. San Diego will assist
23 in such preparations as necessary.

24 12.10 Any disagreement as to whether San Diego's share
25 of Unit 1 and Station Site costs has been properly
26 determined in accordance with the provisions of

1 this agreement, which is not resolved within sixty
2 days of the date written notice of such disagreement
3 is given, shall be referred to the Board of Review.

4 If after thirty days the Board of Review has not
5 resolved the dispute, the matter may be submitted
6 to arbitration as provided in Section 17 hereof.

7 12.11 Any payment by either Company to the other under
8 this agreement which is not made when due shall
9 thereafter be payable with interest computed at the
10 rate of ten (10) percent per annum from the date
11 payment is due until the date payment is received.

12 12.12 In the event either Company disputes any portion
13 of any payment which it is required to make to the
14 other Company under this agreement, the disputing
15 Company shall give written notice thereof and shall
16 pay the full amount of such payment on or before
17 the date when such payment is due. In the event
18 it is determined subsequently that the disputing
19 Company is entitled to a refund of all or any por-
20 tion of such payment, then the other Company shall
21 thereupon pay to the disputing Company the amount
22 of such refund with interest computed at the rate
23 of ten (10) percent per annum from the date of
24 payment to the date of reimbursement.

25 13. UNIT 1 OPERATING IMPAIRMENT

26 In the event of a Unit 1 Operating Impairment,

1 Edison shall take all actions reasonably necessary and
2 required to restore or maintain the operating capability
3 and reliability of Unit 1 in a timely manner; provided,
4 however, if all or substantially all (as determined by
5 the Board of Review) of Unit 1 is destroyed, damaged, or
6 condemned, no such restoration shall be undertaken unless
7 the Companies agree thereto. As soon as practicable
8 after the commencement of any Unit 1 Operating Impairment,
9 Edison shall advise San Diego of the occurrence and
10 nature of such Unit 1 Operating Impairment and the actions
11 being taken and contemplated to be taken to restore or
12 maintain the operating capability and reliability of
13 Unit 1.

14 14. ATOMIC ENERGY COMMISSION REGULATORY MATTERS

15 14.1 Edison, in consultation with San Diego, shall be
16 responsible for the preparation and filing with the
17 Atomic Energy Commission of any application for a
18 construction permit and a license to acquire,
19 possess, and use Unit 1, including any amendments
20 thereof, to extend the term of the provisional
21 operating license or to acquire a permanent
22 operating license, and for handling all other
23 matters with the Atomic Energy Commission in
24 connection therewith, except for any such matters
25 which the Atomic Energy Commission may require
26 San Diego to handle independently. Edison shall

1 submit such applications to San Diego for approval
2 and execution prior to filing.

3 14.2 The Companies, through and as agreed upon by their
4 appropriate representatives, shall meet or communi-
5 cate regularly to advise, inform, and consult with
6 each other on all significant matters and upcoming
7 meetings connected with the regulation of the
8 San Onofre Nuclear Generating Station by the Atomic
9 Energy Commission or other regulatory agencies.
10 San Diego's representatives shall have the right to
11 attend and participate in all such meetings,
12 whether in-house, with the AEC, or others.

13 14.3 Except as the Companies may otherwise mutually
14 agree, Edison and San Diego shall take all actions,
15 including the making of Capital Improvements, which
16 are reasonably necessary to obtain regulatory
17 approval for the operation of Unit 1, including all
18 such actions which are reasonably necessary to
19 obtain without unreasonable delay a permanent
20 operating license for Unit 1.

21 14.4 Engineering costs incurred by Edison which are
22 required in connection with its activities pursuant
23 to Section 14.1 hereof shall be included among the
24 expenses to be shared by the Companies pursuant to
25 Section 7.1 hereof, except for any such costs
26 which shall be chargeable to Capital Improvements

1 required in connection therewith and shared pursuant
2 to Section 6 hereof. If it should be determined
3 subsequently that such costs are not chargeable to
4 any of the FPC Accounts referred to in Section 7.1
5 hereof, such costs shall nevertheless be treated,
6 for purposes of this agreement, as if they were so
7 chargeable.

8 15. METER TESTS

9 15.1 In accordance with test procedures approved by the
10 Board of Review, Edison shall make routine tests of
11 the meters in the Edison Switchyard which measure
12 (a) energy deliveries between Unit 1 and the Edison
13 Switchyard, (b) energy deliveries from the San
14 Diego Switchyard to the Unit 1 Auxiliary "C" Trans-
15 former, and (c) energy deliveries over the inter-
16 connection between the Edison and San Diego
17 Switchyards. Edison shall make such tests during
18 the month of June of each year or at such other
19 times as may be agreed upon. Edison shall adjust
20 or replace any meter which is found to be inac-
21 curate. Edison shall, at the request of San Diego,
22 or may, on its own initiative, make special tests
23 of said meters. Edison shall give San Diego rea-
24 sonable notice of the time when meter tests will be
25 made and San Diego shall have the right to have a
26 representative witness the tests. The costs of

meter tests shall be shared eighty (80) percent by Edison and twenty (20) percent by San Diego, except that the requesting or initiating Company shall pay the entire cost of any special tests it requests or initiates wherein the percentage error is found to be less than one (1) percent slow or fast.

15.2 If any test shows any meter to be inaccurate by more than one (1) percent or if any meter fails to register, corrections, equal to the amount of error as found, shall be made to the records of the measurements made by such meter during the period of such erroneous meter registration or, if such period cannot be determined or reasonably estimated, for half the period from the date of the last preceding test. Billing adjustments or energy exchanges corresponding to such corrections shall be made in accordance with procedures approved by the Board of Review.

16. LIABILITY

16.1 Each Company shall be responsible for the consequences of its Willful Action, and shall indemnify the other Company from the consequences thereof.

16.2 Except for any loss, damage, cost, charge, or expense (hereinafter collectively referred to as "Damage") resulting from Willful Action, and except to the extent of any Damage covered by valid

1 and collectible Unit 1 Insurance, no Company (First
2 Company), its directors, officers or employees shall
3 be obligated to discharge any liability to the other
4 Company (Second Company) for any direct, indirect or
5 consequential Damage of any kind or nature incurred
6 by the other Company (Second Company) resulting
7 [whether or not from the negligence of a Company
8 (First Company), its directors, officers, employees
9 or any other person or entity whose negligence would
10 be imputed to such Company (First Company)] from
11 (i) the ownership, operation, maintenance or use of
12 the San Onofre Nuclear Generating Station, or (ii)
13 the performance or non-performance of the obliga-
14 tions of a Company under any of the San Onofre
15 Agreements. Subject to the exceptions in this
16 Section 16.2, each Company (Second Company)
17 expressly releases the other Company (First Company),
18 its directors, officers, and employees from any
19 such liability, or from any judgment obtained
20 against such other Company (First Company), its
21 directors, officers or employees, for any such
22 liability, and such Company (Second Company) shall
23 not execute, levy or otherwise enforce such a judg-
24 ment (including recording or effecting a judgment
25 lien) against the other Company (First Company),
26 its directors, officers or employees.

1 16.3 Except for any liability resulting from Willful
2 Action, except as provided in Sections 16.4 and
3 16.5 hereof, and except for any liability paid for
4 by Unit 1 Insurance, Edison shall pay eighty (80)
5 percent and San Diego shall pay twenty (20) percent
6 of (i) the costs and expenses of discharging lia-
7 bility of one or both of the Companies for any
8 Damage of any kind or nature (including direct,
9 indirect or consequential Damage) suffered or
10 incurred by any party other than a Company (whether
11 or not resulting from the negligence of any Company,
12 its directors, officers, employees, or any other
13 person or entity whose negligence would be imputed
14 to such Company) resulting from (a) the ownership,
15 operation, maintenance or use of Unit 1 or the
16 Station Site, or (b) the performance or non-
17 performance of the obligations of a Company under
18 any of the San Onofre Agreements, and (ii) the
19 costs and expenses incurred in settlement of
20 injuries and damages claims, including attorneys'
21 fees and the cost of labor and related supplies and
22 expenses incurred in injuries and damages activities
23 (all as referred to in FPC Account 925), resulting
24 from or arising out of such liability.

25 16.4 Except for any liability resulting from Willful
26 Action and except for any liability paid for by

1 insurance or the Government Indemnity Agreement
2 referred to in Section 10.2.1 hereof, either Company
3 whose ultimate consumer shall make a claim or demand,
4 or bring an action for any death, injury or Damage
5 arising out of electric service to such ultimate con-
6 sumer and resulting from (i) the ownership, operation,
7 maintenance or use of Unit 1 or the Station Site, or
8 (ii) the performance or non-performance of the obliga-
9 tions of a Company under any of the San Onofre Agree-
10 ments shall indemnify and hold harmless the other
11 Company, its directors, officers and employees from
12 and against any claim, demand or liability for such
13 death, injury or Damage. The term "ultimate consumer"
14 means an electric consumer to whom no electric power
15 or energy is delivered for resale.

16 16.5 Except for any liability resulting from Willful Action,
17 each Company shall bear the total cost of discharging
18 all legal liability imposed upon it or the other
19 Company, including attorneys' fees and other associ-
20 ated costs, arising out of Workmen's Compensation
21 claims (or employer's liability claims) brought by its
22 employees, provided, however, the total cost of dis-
23 charging such liability, including attorneys' fees and
24 other associated costs, arising out of such Workmen's
25 Compensation claims brought by Edison personnel whose
26 labor expenses are charged or allocated to the opera-

tion and maintenance of Unit 1 and the Station Site pursuant to Section 7.1 hereof, shall be shared eighty (80) percent by Edison and twenty (20) percent by San Diego.

17. ARBITRATION

17.1 In the event that San Diego and Edison, acting through their respective members on the Board of Review, should be unable to reach agreement with respect to a matter herein specified to be approved, established, determined, or resolved by agreement of the Companies, or by their representatives appointed pursuant to this agreement, either Company may call for submission of such matter or dispute to arbitration in the manner herein set forth, which call shall be binding upon the other Company to the dispute. Edison shall continue to do all things and make all expenditures necessary for the operation and maintenance of Unit 1 and the Station Site pending the final decision of the arbitrators.

17.2 The Company calling for arbitration shall give notice to the other Company, setting forth in such notice in adequate detail the issues to be arbitrated, and within ten days from receipt of such notice the other Company may by notice to the first Company set forth in adequate detail additional related issues to be arbitrated.

17.3 Within twenty days from its notice calling for the arbitration, the first Company shall appoint a

1 person to serve as one arbitrator, and shall give
2 notice to the other Company of such appointment, and
3 within fifteen days after receipt of notice of
4 appointment of the first arbitrator, the other
5 Company shall appoint a person to serve as a second
6 arbitrator, and shall give notice to the first
7 Company of such appointment. The two persons so
8 appointed shall then agree upon and secure a third
9 arbitrator. If the second arbitrator should not be
10 appointed within fifteen days after receipt of
11 notice of appointment of the first, or if the third
12 arbitrator should not be secured within fifteen
13 days from the appointment of the second, either
14 Company may with notice to the other Company call
15 upon the American Arbitration Association (or upon
16 a similar organization if the American Arbitration
17 Association should not at that time exist) for
18 appointment of an arbitrator skilled with respect to
19 the matter to be arbitrated, and whose appointment
20 shall be binding on both Companies. No person
21 shall be eligible for appointment by the American
22 Arbitration Association who is an officer,
23 employee, shareholder of, or otherwise interested
24 in either of the Companies hereto or in the matter
25 to be arbitrated.

26 17.4 The arbitrators so appointed shall hear evidence

1 submitted by both Companies and may call for addi-
2 tional information, which additional information
3 the Companies or Company called upon shall furnish
4 to the extent feasible. A decision or determina-
5 tion signed by a majority of the arbitrators shall
6 be conclusive with respect to the issues submitted
7 and shall be binding upon both Companies.

8 17.5 Except as otherwise provided in Sections 17.1,
9 17.2, 17.3, and 17.4 hereof, the arbitration shall
10 be governed by the rules of practice and procedure
11 of the American Arbitration Association from time
12 to time in force, except that, if such rules and
13 practice as herein modified shall conflict with the
14 California Code of Civil Procedure or any other
15 provision of California law then in force, such
16 California rules and provisions shall govern. This
17 submission and agreement to arbitrate shall be
18 specifically enforceable. The award of the
19 arbitrators or a majority of them upon any question
20 submitted to them hereunder shall be final and
21 binding upon the Companies to the extent and in the
22 manner provided by the California Code of Civil
23 Procedure.

24 17.6 Each Company shall bear the fee and personal
25 expenses of the arbitrator appointed by it,
26 together with the fees and expenses of its own

1 counsel and of its own witnesses, and all other
2 costs and expenses of the arbitration shall be borne
3 one-half by the Company calling for arbitration and
4 one-half by the other Company involved, unless a
5 decision of the arbitrators shall specify a dif-
6 ferent apportionment of any or all of such costs
7 and expenses.

8 18. FORCE MAJEURE

9 Neither Company shall be considered to be in breach
10 of any of the obligations hereunder to the extent failure
11 of performance shall be due to uncontrollable forces.
12 The term "uncontrollable forces" shall mean any cause
13 beyond the control of a Company unable to perform such
14 obligation, including, but not limited to, failure of
15 facilities, flood, earthquake, storm, fire, lightning,
16 and other natural catastrophes, epidemic, war, riot,
17 civil disturbance, labor dispute, sabotage, Government
18 priorities, restraint by Court order or public authority,
19 and action or non-action by or failure to obtain the
20 necessary authorizations or approvals from any Government
21 agency or authority, which by exercise of reasonable
22 diligence and foresight such Company could not reasonably
23 have been expected to avoid and which by exercise of
24 reasonable diligence it has been unable to overcome.
25 Nothing contained herein shall be construed so as to
26 require a Company to settle any strike or labor dispute

1 in which it may be involved. Any Company rendered unable
2 to fulfill any obligation by reason of uncontrollable
3 forces shall exercise due diligence to remove such
4 inability with all reasonable dispatch.

5 19. RELATIONSHIP OF PARTIES

6 19.1 The covenants, obligations, and liabilities of the
7 Companies are intended to be several and not joint
8 or collective, and nothing herein contained shall
9 ever be construed to create an association, joint
10 venture, trust or partnership, or to impose a trust
11 or partnership covenant, obligation or liability on
12 or with regard to either of the Companies. Each
13 Company hereto shall be individually responsible
14 for its own covenants, obligations, and liabilities
15 as herein provided. Neither Company shall be under
16 the control of or shall be deemed to control the
17 other Company. No Company shall have a right or
18 power to bind the other Company without its express
19 written consent, except as expressly provided in
20 the San Onofre Agreements.

21 19.2 The Companies hereby elect to be excluded from the
22 application of Subchapter "K" of Chapter 1 of Sub-
23 title "A" of the Internal Revenue Code of 1954, or
24 such portion or portions thereof as may be permitted
25 or authorized by the Secretary of the Treasury or
26 his delegate insofar as such subchapter, or any

1 portion or portions thereof, may be applicable to
2 the Companies under the San Onofre Agreements.

3 20. NOTICES

4 All notices under this agreement shall be in writing
5 and shall be delivered in person or sent by registered or
6 certified mail to the applicable of the following
7 addresses:

8 Southern California Edison Company
9 c/o Secretary
10 Post Office Box 351
11 Los Angeles, California 90053

12 San Diego Gas & Electric Company
13 c/o President
14 Post Office Box 1831
15 San Diego, California 92112

16 By notice sent to the other Company, either Edison
17 or San Diego may designate different persons or different
18 addresses for the giving of notices hereunder.

19 21. TERM

20 This agreement shall be effective as of October 5,
21 1967, and shall continue in effect until termination of
22 the easement for the Plant Site, or such earlier date
23 as the Companies may agree to cease operation of Unit 1.
24 The San Onofre Operating Agreement is hereby superseded
25 as of October 5, 1967.

26 IN WITNESS WHEREOF, the Companies have caused
 this agreement to be executed in duplicate on their
 behalf.

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SAN DIEGO GAS & ELECTRIC COMPANY

ATTEST:

By Em Jappon

J. Abraham

SOUTHERN CALIFORNIA EDISON COMPANY

ATTEST:

By William R. Lane

SENIOR VICE PRESIDENT.

E. D. Lester
Secretary

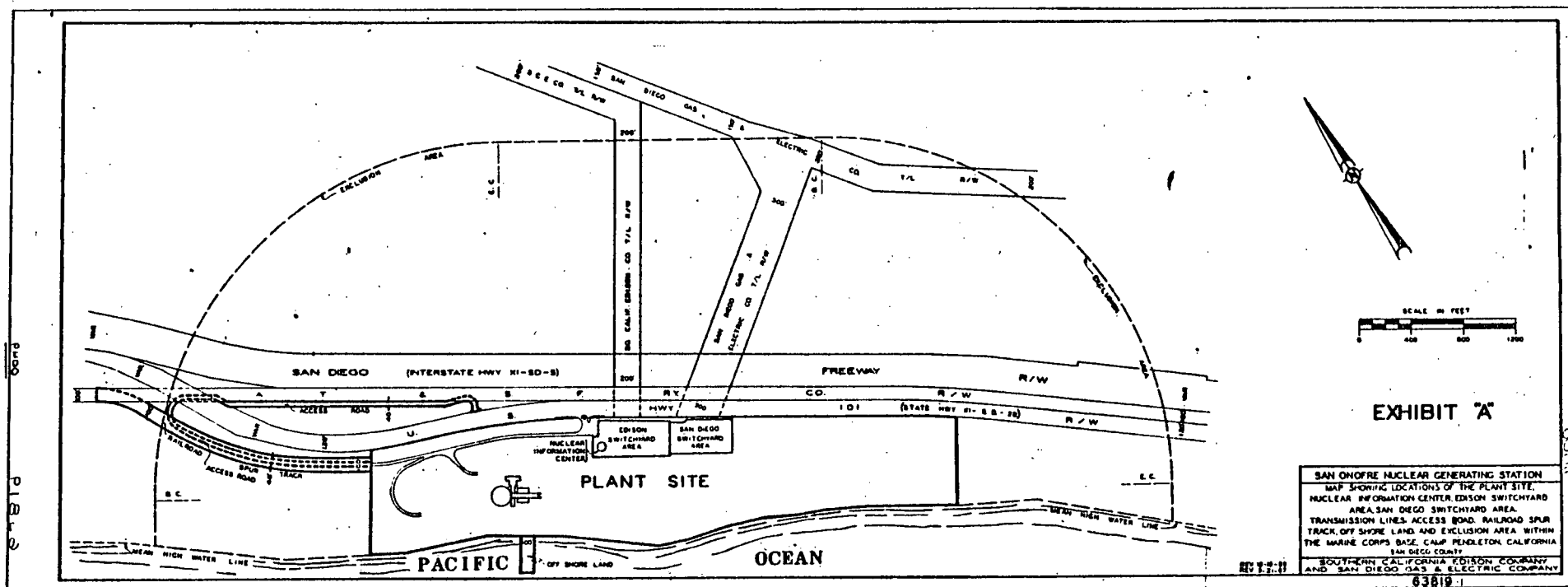


EXHIBIT B

ALLOCATION OF OVERHEAD EXPENSES

Overhead expenses incurred by Edison which are allocable to the San Onofre Nuclear Generating Station are comprised of the following:

1. All of the following expenses incurred at the San Onofre Nuclear Generating Station:
 - a) The salaries and expenses of the Station Chief and his supervisory, administrative, engineering, and clerical and accounting staff assigned to the San Onofre Nuclear Generating Station;
 - b) Stationery and office supplies expenses;
 - c) The payroll and other costs incurred in processing grievances;
 - d) The payroll and other costs incurred in attending job training meetings by employees assigned to the San Onofre Nuclear Generating Station;
 - e) Miscellaneous overhead expenses not assignable to other functions of the San Onofre Nuclear Generating Station.
2. A portion of the following expenses incurred in Edison's Steam Generation Division:
 - a) The salaries and expenses of the Superintendent of Steam Generation and his supervisory, administrative, engineering, and clerical and accounting staff;
 - b) Stationery and office supplies expenses;
 - c) A portion (which is applicable to the Steam Generation Division) of the payroll and other costs incurred in the operation of Edison's operators' training school and the salaries and expenses of Steam Generation Division personnel while attending such school;

- d) Miscellaneous overhead expenses not assignable to other functions of the Steam Generation Division.

Such portion shall be determined by multiplying the total of such salaries and expenses by a ratio, the numerator of which is the total payroll for the San Onofre Nuclear Generating Station and the denominator of which is the total payroll supervised by the Superintendent of Steam Generation and his staff.

- 3. A portion of the following expenses incurred in Edison's Power Supply Department:

- a) The salaries and expenses of the Manager of Power Supply and the Superintendent of System Operation and their supervisory, administrative, engineering, and clerical and accounting staffs, but excluding system dispatchers;
- b) Stationery and office supplies expenses;
- c) Expenses (but not payroll costs) incurred in attending certain conventions and committee meetings by Power Supply Department personnel;
- d) Miscellaneous overhead costs not assignable to other functions of the Power Supply Department.

Such portion shall be determined by multiplying the total of such salaries and expenses by a ratio, the numerator of which is the total payroll for the San Onofre Nuclear Generating Station and the denominator of which is the total payroll supervised by the Manager of Power Supply and his staff.

- 4. The overhead expenses of Edison's Steam Maintenance Division will be charged to the San Onofre Nuclear Generating Station only to the extent that Steam Maintenance Division personnel are employed at the San Onofre Nuclear Generating Station.

The total of such allocable overhead expenses shall be allocated and charged to the appropriate FPC electric plant and operation and maintenance expense accounts for Unit 1 and the Edison Switchyard on the basis of the direct Edison labor charges to such accounts.

EXHIBIT C

PAYROLL TAX RATIO

The Payroll Tax Ratio shall be determined in the following manner using, where indicated, expenses reported in the Annual Report of Edison to the Federal Power Commission ("FPC Form 1"):

Payroll Taxes for 1967

Payroll taxes applicable to labor charged to operation and maintenance, construction, and other accounts, per FPC Form 1, Page 352:

F.I.C.A.	\$2,711,186
H.I.T.	347,596
F.U.T.A.	134,311
S.U.I.	<u>755,494</u>
Total	<u>\$3,948,587</u>

Labor Base for 1967

Total labor charged to operation and maintenance, construction, and other accounts, per FPC Form 1, Page 356:

\$107,586,271

Payroll Tax Ratio for 1967 = $\frac{\$ 3,948,587}{\$107,586,271}$ = 0.0367

EXHIBIT D

WORKMEN'S COMPENSATION RATIO

The Workmen's Compensation Ratio, to be applied as shown in Exhibits E, F, and G, shall be determined in the following manner using, where indicated, expenses reported in the Annual Report of Edison to the Federal Power Commission ("FPC Form 1"):

Workmen's Compensation Expenses for 1967 (Not Capitalized)

Employee injuries expenses, per FPC Form 1, Page 226:

Disability Allowance and		
Compensation - Employees ..	\$270,298	
Medical Expenses	91,662	
First Aid Kits	<u>63,531</u>	
		\$ 425,491

Portion of liability insurance premium allocable to Workmen's Compensation coverage:	<u>8,507</u>
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Total Workmen's Compensation expenses:	\$ 433,998
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Less the amount of such expenses which have been shared by the Companies pursuant to Sections 10 and 16 hereof:	<u>\$ 0</u>
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Net expenses to be allocated:	<u>\$ 433,998</u>
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Labor Base for 1967

Total labor charged to operation and maintenance, per FPC Form 1, Page 356:	\$72,770,976
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Total labor charged to other accounts, per FPC Form 1, Page 356:	<u>979,429</u>
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Total labor base:	\$73,750,405
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Less the amount of labor charged to the operation and maintenance of Unit 1 and the Station Site pursuant to Section 7.1 hereof:	<u>166,524</u>
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Net labor base:	<u>\$73,583,881</u>
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Workmen's Compensation Ratio =	\$ 433,998	=	<u>0.0059</u>
	<u>\$73,583,881</u>		

EXHIBIT E

BENEFITS RATIO

The Benefits Ratio shall be determined in the following manner using, where indicated, expenses reported in the Annual Report of Edison to the Federal Power Commission ("FPC Form 1"):

Pensions and Benefits Expenses for 1967

	<u>Labor*</u>	<u>Total</u>
Employee pensions and benefits charged to Account 926, per FPC Form 1, Page 419:	\$1,051,144	\$ 10,522,097
Plus employee pensions and benefits capitalized:	<u>-</u>	<u>3,516,521</u>
Sub-total	\$1,051,144	\$ 14,038,618
Payroll taxes @ 3.67% of labor		38,577
Workmen's Compensation @ 0.59% of labor		<u>6,202</u>
Total pensions and benefits expenses:		<u>\$ 14,083,397</u>

Labor Base for 1967

Total labor charged to operation and maintenance, construction, and other accounts, per FPC Form 1, Page 356:	\$107,586,271
Less labor charged to FPC Account 926:	<u>1,051,144</u>
Net labor base:	<u>\$106,535,127</u>

Benefits Ratio for 1967 = $\frac{\$ 14,083,397}{\$106,535,127}$ = 0.1322

* Includes direct and indirect labor

EXHIBIT F

A & G RATIO

The A & G Ratio shall be determined in the following manner using, where indicated, expenses reported in the Annual Report of Edison to the Federal Power Commission ("FPC Form 1"):

Administrative and General Expenses Allocable to Operation and Maintenance for 1967 (per FPC Form 1, Page 419)

	<u>Labor*</u>	<u>Total</u>
A/C 920 Administrative and general salaries:	\$10,565,273	\$10,565,273
921 Office supplies and expenses:	<u>216,355</u>	<u>3,695,474</u>
Total Accounts 920 and 921:	<u>\$10,781,628</u>	<u>\$14,260,747</u>
0.6308 (See Exhibit H) of Accounts 920 and 921 applicable to operation and maintenance:	\$ 6,801,051	\$ 8,995,679
A/C 923 Outside services (see Note 1):	-	407,443
932 General maintenance	<u>1,033,843</u>	<u>1,784,991</u>
Sub-total	\$ 7,834,894	\$11,188,113
Payroll taxes @ 3.67% of labor		\$ 287,541
Workmen's Compensation @ 0.59% of labor		46,226
Pensions and benefits @ 13.22% of labor		<u>1,035,773</u>
Total A & G expense allocable to operation and maintenance:		<u>\$12,557,653</u>

Operation and Maintenance Labor Base for 1967

Total labor charged to operation and maintenance accounts, per FPC Form 1, Page 356: \$72,770,976

Less the amount of such labor charged to administrative and general expense accounts:

Direct labor, per FPC Form 1, Page 355: \$12,891,459
Indirect labor included in the amount
reported in FPC Form 1, Page 356,
Column C, Line 92: 392,065

Total 13,283,524

Net operation and maintenance labor base: \$59,487,452

$$\text{A \& G Ratio for 1967} = \frac{\$12,557,653}{\$59,487,452} = \underline{\underline{0.2111}}$$

Note 1: The amount shown for A/C 923 shall be the amount charged thereto except that it shall not exceed the greater of (a) \$500,000 or (b) 150% of the average of the charges to A/C 923 for the two most recent preceding years.

* Includes direct and indirect labor

EXHIBIT G

CAPITAL A & G RATIO

The Capital A & G Ratio shall be determined in the following manner using, where indicated, expenses reported in the Annual Report of Edison to the Federal Power Commission ("FPC Form 1"):

Administrative and General Expenses Allocable to Construction for 1967 (per FPC Form 1, Page 419)

	<u>Labor*</u>	<u>Total</u>
A/C 920 Administrative and general salaries:	\$10,565,273	\$10,565,273
921 Office supplies and expenses:	<u>216,355</u>	<u>3,695,474</u>
Total Accounts 920 and 921	<u>\$10,781,628</u>	<u>\$14,260,747</u>
0.3588 (See Exhibit H) of Accounts 920 and 921 applicable to construction:	\$ 3,868,448	\$ 5,116,756
Payroll taxes @ 3.67% of labor		141,972
Workmen's Compensation @ 0.59% of labor		22,824
Pensions and benefits @ 13.22% of labor		<u>511,409</u>
Total A & G expense allocable to construction		\$ 5,792,961
Total pensions and benefits expense allocable to total labor charged to construction accounts:		
0.1322 x \$33,835,866** =		<u>\$ 4,473,101</u>
Total A & G plus pensions and benefits expenses allocable to construction:		\$10,266,062
Less amount of A & G plus pensions and benefits expenses allocable to contract construction:		
0.01 x \$169,200,000 =		<u>\$ 1,692,000</u>
Remainder of A & G plus pensions and benefits expenses allocable to Edison construction:		<u>\$ 8,574,062</u>
<u>Construction Direct Labor Base for 1967</u>		
Total direct labor charged to construction accounts, per FPC Form 1, Page 356:		<u>\$20,428,022</u>

$$\text{Capital A \& G Ratio for 1967} = \frac{\$ 8,574,062}{\$20,428,022} = \underline{0.4197}$$

* Includes direct and indirect labor
** Per FPC Form 1, Page 356

EXHIBIT H

DETERMINATION OF OPERATION & MAINTENANCE AND CONSTRUCTION
LABOR RATIOS TO BE USED IN EXHIBITS F & G

Labor Charges for 1967

Total labor charged to operation and maintenance accounts, per FPC Form 1, Page 356: \$72,770,976

Less the amount of such labor charged to administrative and general expense accounts:

Direct labor, per FPC Form 1, Page 355: \$12,891,459
Indirect labor included in the amount
reported in FPC Form 1, Page 356,
Column C, Line 92: 392,065

Total 13,283,524

Net labor charged to operation and maintenance accounts: \$59,487,452

Total labor charged to other accounts, per FPC Form 1, Page 356: 979,429

Total labor charged to construction accounts, per FPC Form 1, Page 356: 33,835,866

Total labor base for this computation: \$94,302,747

Ratio of net operation and maintenance labor to total labor: = $\frac{\$59,487,452}{\$94,302,747}$ = 0.6308

Ratio of construction labor to total labor: = $\frac{\$33,835,866}{\$94,302,747}$ = 0.3588

AMENDMENT NO. 1
TO
AMENDED SAN ONOFRE OPERATING AGREEMENT

THIS AMENDMENT NO. 1 to the AMENDED SAN ONOFRE OPERATING AGREEMENT is entered into as of the 30th day of August, 1971, by and between SAN DIEGO GAS & ELECTRIC COMPANY, a California corporation ("San Diego") and SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation ("Edison"), hereinafter sometimes individually called "Company" and collectively called "Companies."

RECITALS

This Amendment is made with reference to the following facts:

San Diego and Edison entered into the Amended San Onofre Operating Agreement as of July 30, 1970. On the same date San Diego and Edison entered into a letter agreement that modified in part the provisions of Section 16 (Liability) of the Amended San Onofre Operating Agreement.

San Diego and Edison now wish to amend Section 16 and Section 10 of the Amended San Onofre Operating Agreement and to supersede the aforementioned letter agreement as hereinafter set forth.

AGREEMENT

The Companies agree as follows:

1 AMENDMENT TO SECTION 16

2 Section 16 of the Amended San Onofre Operating Agreement
3 is hereby amended to read as follows:

4 16. LIABILITY

5 16.1 As used in this Section 16, the following terms
6 shall have the following meanings:

7 16.1.1 "Damage" means any loss, damage, cost,
8 charge or expense resulting from the
9 ownership, operation, maintenance or use
10 of Unit 1 or the Station Site, or the per-
11 formance or non-performance by a Company
12 or the Companies of any of the San Onofre
13 Agreements.

14 16.1.2 "Nuclear Incident" means a nuclear inci-
15 dent as defined in Section 11q of the
16 Atomic Energy Act of 1954, as amended.

17 16.1.3 "Uninsured Damage" means Damage not paid
18 for by Unit 1 Insurance.

19 16.2 Except as permitted under Section 16.3 hereof,
20 neither Company shall be liable to the other Com-
21 pany for Uninsured Damage resulting from a Nuclear
22 Incident.

23 16.3 Neither Company, its directors, officers or em-
24 ployees shall be obligated to discharge any liabil-
25 ity to the other Company in excess of \$2,000,000
26 for any single occurrence for any direct, indirect

1 or consequential Uninsured Damage of any kind or
2 nature suffered by the other Company, resulting
3 from Willful Action and resulting from or arising
4 out of a Nuclear Incident. Each Company expressly
5 releases the other Company, its directors,
6 officers and employees from any such liability in
7 excess of \$2,000,000 per occurrence and from any
8 judgment in excess of \$2,000,000 per occurrence
9 obtained against a Company, its directors,
10 officers or employees, for any such liability.
11 Neither Company shall execute, levy or otherwise
12 enforce such a judgment, or record or effect a
13 judgment lien, against the other Company, its
14 directors, officers or employees for any part of
15 such judgment in excess of \$2,000,000 per
16 occurrence.

17 16.4 Subject to Sections 16.2 and 16.3 hereof and
18 except for Uninsured Damage resulting from Willful
19 Action (and not resulting from or arising out of
20 a Nuclear Incident), neither Company, its
21 directors, officers or employees shall be obligated
22 to discharge any liability to the other Company,
23 for any direct, indirect or consequential Uninsured
24 Damage of any kind or nature suffered by the other
25 Company, whether or not resulting from the negli-
26 gence of a Company, its directors, officers,

1 employees or any other person or entity whose
2 negligence would be imputed to a Company. Subject
3 to the exceptions contained in this Section 16.4,
4 each Company expressly releases the other Company,
5 its directors, officers and employees from any
6 such liability. Neither Company shall execute,
7 levy or otherwise enforce a judgment for such
8 liability, including recording or effecting a
9 judgment lien, against the other Company, its
10 directors, officers or employees.

11 16.5 Subject to Sections 16.2 and 16.3 hereof and
12 except for liability for Uninsured Damage resulting
13 from Willful Action (and not resulting from or
14 arising out of a Nuclear Incident) and except as
15 provided in Sections 16.6 and 16.7 hereof, Edison
16 shall pay eighty percent (80%) and San Diego shall
17 pay twenty percent (20%) of:

18 16.5.1 The costs and expenses of discharging
19 liability of one or both of the Companies
20 for any direct, indirect or consequential
21 Uninsured Damage of any kind or nature
22 suffered by any party other than a
23 Company, whether or not resulting from the
24 negligence of a Company, its directors,
25 officers and employees or any other person
26 or entity whose negligence would be

1 imputed to a Company; and

2 16.5.2 The costs and expenses incurred in
3 settlement of injuries and damages
4 claims, including attorneys' fees and the
5 cost of labor and related supplies and
6 expenses incurred in injuries and damages
7 activities (all as referred to in FPC
8 Account 925) resulting from or arising
9 out of such liability.

10 16.6 Except for liability for Uninsured Damage result-
11 ing from Willful Action, either Company whose
12 ultimate consumer shall make a claim or demand, or
13 bring an action for any damage (including death
14 or injury) arising out of electric service to such
15 ultimate consumer shall indemnify and hold harm-
16 less the other Company, its directors, officers
17 and employees from and against any claim, demand
18 or liability for such damage. The term "ultimate
19 consumer" means an electric consumer to whom no
20 electric power or energy is delivered for resale.

21 16.7 Except for liability for Uninsured Damage (includ-
22 ing death or injury) resulting from Willful Action,
23 each Company shall bear the total cost of dis-
24 charging all legal liability imposed upon it or the
25 other Company, including attorneys' fees and other
26 associated costs, arising out of Workmen's

1 Compensation claims, or employers' liability
2 claims, brought by its employees; provided that
3 the cost of discharging such liability, including
4 attorneys' fees and other associated costs,
5 arising out of such Workmen's Compensation claims
6 brought by Edison personnel whose labor expenses
7 are charged or allocated to the operation and
8 maintenance of Unit 1 and the Station Site
9 pursuant to Section 7.1 hereof, shall be shared
10 eighty percent (80%) by Edison and twenty percent
11 (20%) by San Diego.

12 AMENDMENT TO SECTION 10

13 Section 10.5 of the Amended San Onofre Operating Agree-
14 ment is hereby amended to read as follows:

15 10.5 Edison shall investigate, adjust and settle claims
16 asserted by any party other than a Company against
17 the Companies or either of them, which are claims
18 of the type referred to in Section 16.5 hereof.
19 Edison shall obtain the prior consent of the
20 Board of Review members before agreeing to a
21 settlement of any claim or combination of claims
22 exceeding \$100,000 arising out of the same trans-
23 action or event and not covered by Unit 1
24 Insurance. At the request of Edison, San Diego
25 shall assist in the investigation, adjustment and
26 settlement of any such claims. Each Company shall

1 investigate, adjust and settle claims asserted by
2 any of its ultimate consumers, which are claims of
3 the type referred to in Section 16.6 hereof.

4 SUPERSEDE LETTER AGREEMENT

5 This Amendment supersedes the letter agreement of July 30,
6 1970 between the Companies that modified in part the provisions
7 of Section 16 of the Amended San Onofre Operating Agreement.

8 TERM

9 The term of this Amendment shall be coincident with the
10 term of the Amended San Onofre Operating Agreement.

11 IN WITNESS WHEREOF, the Companies have caused this Amend-
12 ment to be executed in duplicate on their behalf.

13 SAN DIEGO GAS & ELECTRIC COMPANY,

14 ATTEST:

15 By W. P. English

16 P. Graham

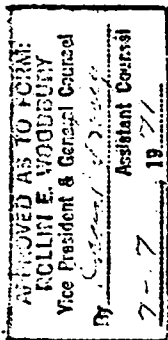
17 SOUTHERN CALIFORNIA EDISON COMPANY

18 ATTEST:

19 By J. R. Buesch

20 Clairne Botenstern

21 ASSISTANT SECRETARY



PERMITS, LICENSES, AND MATERIAL, EQUIPMENT AND SERVICE
SUPPLIER'S AGREEMENTS WHICH MAY REQUIRE
AMENDMENT OR ASSIGNMENT

1. American Society for Mechanical Engineering
 - A. Owner's Certificate of Authorization
2. Army Corps of Engineers
 - A. Offshore Conduit Construction Permit
 - B. Sand Disposal Permit
 - C. Permit Assigned Not Applicable
 - D. Marine Monitoring Buoys (12)
 - E. Del Mar Boat Dock and Grounding Pad
3. Nuclear Regulatory Commission (Formerly A.E.C.)
 - A. Construction Permit
 - B. Operating License
 - C. Special Nuclear Material License
 - D. Uranium Enrichment Agreement
 - E. Contaminated Equipment License
4. Coastal Zone Commission
 - A. Coastal Zone Commission Construction Permit
No. 183-73
 - B. Guarantee Agreement
 - C. Trust Fund Agreement and Marine Review
Committee
 - D. Site Drainage (Berm)
5. U.S. Coast Guard
 - A. Aid to Navigation Agreement
 - B. Buoys - Sand Disposal

EXHIBIT " J "

6. Environmental Protection Agency
 - A. Concrete Batch Plant Approval to Construct
 - B. Operating Permit - Batch Plant
 - C. Auxiliary Boiler Construction/Operating Permit
 - D. Other Ancillary Equipment That Could Emit Air Contaminants
 - E. NPDES #003395 (Plant Operating)
 - F. NPDES #CA0107328 (Construction Dewatering)
7. U.S. Marine Corps
 - A. Construction Parking
 - B. Grant Easement
 - C. Plant and Mesa Site License NF(R)22928
 - (1) Access Road
 - (2) Parcels: A, B, C, D, E, F, G, Conduit Haul Road, and Evap. Pond
 - (3) Heavy Haul Road and Boat Dock
 - D. Jap Mesa
 - (1) Temporary PKS Waterline - NF(R)23306
 - (2) Extension of Permit
 - E. Sand Disposal
 - F. Jobsite Security Plan
 - G. Telephone Line Relocation
 - H. Temporary Easement for 220 kV Lines
 - I. T/S Construction Laydown Area
 - J. Mutual Aid Agreement
 - K. Onshore Tracer Study Agreement

EXHIBIT " J "

8. Pacific Telephone and Telegraph Company
 - A. Fill Over Easement
 - B. Relocation of U.S.M.C. Cable into PT&T Easement
 - C. Construction Parking
 - D. Duct Beam and Fireline Crossing
9. Public Utilities Commission
 - A. Authorization for Financial Agreement
 - B. Certificate of Convenience and Necessity
 - C. Certificate of Convenience and Necessity for Transmission Lines
10. City of San Clemente
 - A. Temporary Service Agreement
11. San Diego County - A.P.C.D.
 - A. Auxiliary Boiler Construction/Operating Permit
 - B. Batch Plant Construction
 - C. Batch Plant Operating
12. San Diego Water Quality Control Board
 - A. Dewatering Discharge 74-4 (NPDES CA0107328)
 - B. Sand Disposal
 - (1) 70-R42
 - (2) Addendum #1
 - (3) Monitoring and Reporting Program #71-6
 - C. Operation Order #76-21 (NPDES CA0003395)
13. Santa Fe Railway
 - A. Haul Road Overcrossing License
 - B. Overhead Wire Crossing Agreement

EXHIBIT " J "

14. Southern California Gas
 - A. Highway 101 Relocation Permit
 - B. Off-Highway Haul Route Permit
 - C. Temporary Information Center
15. State Department of Parks and Recreation
 - A. Access Road Agreement
 - B. Construction Parking
 - C. Temporary Waterline
 - D. Highway 101 Realignment
 - E. Main Plant Access
 - F. Signalization of Highway 101 - Main Plant Access Lighting
 - G. Circ. Conduit Haul Road
 - H. Signal at Highway 101 and Jap Mesa Haul Road
 - I. AMERON Batch Plant Evaporation Pond
 - J. Heavy Haul Road
16. State Department of Public Health
 - A. Radiological Monitoring Program Approval
 - B. Source Material License (RA 226)
 - C. Contaminated Equipment License
17. State Department of Transportation
 - A. Construction Parking and Hopper (1174-E-762, 668)
 - B. Relocate Power Pole (1173-U-743-943)
Install Guard Rail (1171-E-761-930)
String 220 kV Across I5 (1170-U-782-727)
Temporary 138 kV and 220 kV Across I5 (1170-U-782-701)
 - C. Jap Mesa Road Access (1173-E-762-565)

EXHIBIT " J "

- D. Main Plant
 - (1) Access
 - (2) Rider to Move Road (1173-E-762-565)
 - E. Off-Highway Haul Route (1173-E-762-565)
 - F. Offsite Drainage Structure Permit (1174-E-762-633)
 - G. U.S. 101 Realignment (1174-E-762-633)
 - H. Temporary I5 Crossing
 - I. Duct Beam and Fireline Installation
 - J. Floor Protection Beam
18. State Lands Commission
- A. Buoys - Sand Disposal (Marine Monitoring - 3 Buoys)
 - B. Offshore Easement
 - (1) Construction Permit
 - (2) Conduit Site
 - C. Sand Disposal
 - (1) Work Area
 - (2) Extension of Permits
19. State Resources Agency
- A. Siting
 - (1) Agreement and Amendment
 - (2) Amendment to Resources Agreement
20. State Water Resources Control Board
- A. Sand Disposal Certificate of Conformance #70-12
 - B. Plant Operation Certificate of Conformance #72-28

EXHIBIT " J "

- 21. Temporary Construction Power Permits
 - A. All Required Permits for Temporary Construction Power
- 22. Department of Motor Vehicles
 - A. Licensing
- 23. Federal Aviation Administration
 - A. Air Navigation Approval
 - B. Transportation Facilities Air Naval Approval
- 24. Federal Communications Commission
 - A. License to Construct and Operate Electronic Transmission Equipment
 - (1) Mobile System
 - (2) Telemetering System
 - (3) Microwave System
- 25. Tri-Cities Municipal Water District
- 26. Material, Equipment and Service Suppliers' Agreements
 - A. Engineering and Construction Contract - San Onofre Nuclear Generating Station Units 2 and 3 among Edison, San Diego, and Bechtel Power Corporation
 - B. Nuclear Steam Supply System Contract among Edison, San Diego, and Combustion Engineering
 - C. Nuclear Steam Supply System Spare Parts Master Agreement between Edison and Combustion Engineering
 - D. Preservice Examination Agreement between Edison and Combustion Engineering
 - E. General Engineering Services Master Agreement between Edison and Combustion Engineering
 - F. Turbine Generator Contract among Edison, San Diego and GEC-English Electric Corporation
 - G. Turbine Generator Spare Parts Master Agreement between Edison and GEC-English Electric Corporation

EXHIBIT " J "

- H. Heavy Haul Contract between Edison and Rigging International
- I. Off-Shore Circulating Water System Contract between Edison and Guy F. Atkinson Company

EXHIBIT " J "