SECOND ERRATA TO PREPARED SUPPLEMENTAL TESTIMONY

ON BEHALF OF

SAN DIEGO GAS & ELECTRIC COMPANY

(SDG&E’s Oversight and Fiscal Management Role at SONGS)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

August 25, 2017
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I. OVERVIEW OF SDG&E’S REQUEST IN A.16-03-004 (S. GARCIA)

In this 2015 Nuclear Decommissioning Cost Triennial Proceeding ("NDCTP"), San Diego Gas & Electric Company ("SDG&E") is providing testimony in support of its requests that the California Public Utilities Commission ("CPUC" or "Commission"):

1) Approve as reasonable the 2016 SONGS 1 decommissioning cost estimate ("DCE") for remaining SONGS 1 decommissioning work and SDG&E’s 20% share of the costs ($47.9 million, 2014$);¹

2) Approve as reasonable the $2.9 million (SDG&E share, 2014$) estimate of future SDG&E-only costs for SONGS 1;²

3) Approve SDG&E’s request to maintain its annual contributions to its SONGS 1 Nuclear Decommissioning Trusts ("NDTs") at $0, based upon the current estimate of decommissioning costs for SONGS 1, current level of funding of the SONGS 1 NDTs, projected escalation rates, and financial market conditions known at the time the Joint Application was filed (March 1, 2016);

4) Approve as reasonable the $1.4 million (SDG&E share, nominal $) for SONGS 1 decommissioning expenses invoiced to SDG&E by Southern California Edison Company ("SCE") between January 1, 2013 and December 31, 2015;

¹ The total updated SONGS 1 DCE is $239.4 million (100%; 2014$). See Joint Application of Southern California Edison Company (U 338-E) and San Diego Gas & Electric Company (U 902-E) for the 2015 Nuclear Decommissioning Cost Triennial Proceeding (March 1, 2016) ("Joint Application"), at 2; Ex. SCE-04 at 1.

² The Joint Application and SDGE-01 (served March 1, 2016) originally requested Commission approval as reasonable the forecast of $42.6 million (2014$) in future SDG&E-only costs for all three Units. Ex. SDGE-04 (served today) supersedes SDGE-01. Ex. SDGE-04 is provided in support of SDG&E’s revised request that the Commission approval as reasonable the forecast of $2.9 million (2014$) in future SDG&E-only costs only for Unit 1. SDG&E will serve testimony in support of its request that the Commission approve as reasonable a forecast for future SDG&E-only costs only for Units 2&3 in accordance with any future scoping memos and schedules issued in this proceeding.
5) Approve as reasonable the $2.8 million (SDG&E share, nominal $) for SONGS 1 decommissioning expenses incurred between January 1, 2009 and December 31, 2012;

6) Approve as reasonable the $34.3 million (SDG&E share, 2014$) for SONGS Units 2&3 decommissioning expenses invoiced to SDG&E by SCE between January 1, 2015 and December 31, 2015;\(^3\)

7) Approve as reasonable the $2.6 million (2014$) in SDG&E-only costs for SONGS incurred January 1, 2015 through December 31, 2015;\(^4\)

8) Approve as reasonable the updated DCE for SONGS 2&3, and the forecasted SDG&E-only costs for SONGS 2&3, as presented in future testimony;\(^5\)

9) Approve as reasonable the $33.9 million (SDG&E share, 2014$) for SONGS 2&3 decommissioning expenses invoiced to SDG&E by SCE between January 1, 2014 and December 31, 2014; and

10) Approve as reasonable the $3.7 million (2014$) in SDG&E-only costs for SONGS 2&3 incurred January 1, 2014 and December 31, 2014.\(^6\)

This testimony (Ex. SDGE-02) and concurrently served testimonies (Exs. SDGE-03, -04, and -05) supersede Ex. SDGE-01.

A. Procedural Background

Approximately every three years, the California electric utilities that have ownership shares in nuclear power plants file NDCTP applications. As set forth by the Commission in Decision (“D.”) 10-07-047, the objectives of the NDCTP are “[1] to set the annual revenue requirements for the decommissioning trusts for the nuclear power plants owned by Southern

\(^3\) SDGE-06.

\(^4\) SDGE-06.

\(^5\) SDG&E and SCE will provide testimony in support of the updated SONGS 2&3 DCE and the forecasted SDG&E-only costs for SONGS 2&3 in accordance with any future scoping memos and schedules issued in this proceeding.

\(^6\) Approval of decommissioning costs for 2014 was originally requested in A.15-01-014/A.15-02-006, which were consolidated with A.16-03-004 by the March 23, 2017 Joint Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, at 7.
California Edison Company, San Diego Gas & Electric Company, and Pacific Gas and Electric Company, [2] to verify the utilities are in compliance with prior decisions applicable to decommissioning and [3] to determine whether actual expenditures by the utilities for decommissioning activities are reasonable and prudent.\textsuperscript{7}

On March 1, 2016,\textsuperscript{8} SCE and SDG&E jointly filed A.16-03-004 and served testimony in support of the Joint Application.\textsuperscript{9} On March 9, 2016, SCE and SDG&E filed a Joint Motion to Consolidate this proceeding (A.16-03-004) with related proceedings, specifically A.16-03-006 (PG&E’s 2015 NDCTP); A.15-01-014 (SCE’s 2014 SONGS 2&3 Cost Reasonableness Review) and A.15-02-006 (SDG&E’s 2014 SONGS 2&3 Cost Reasonableness Review). A prehearing conference was held on June 13, 2016 for the related proceedings. The assigned Commissioner and ALJ declined to consolidate the NDCTP applications or issue a scoping memo or schedule for the Joint NDCTP Application.\textsuperscript{10}

On January 27, 2017, the assigned ALJ in this proceeding ordered SDG&E and SCE to serve supplemental testimony in this proceeding and any related proceedings (i.e., A.15-01-014/A.15-02-006) by February 17, 2017.\textsuperscript{11} This testimony is being served in compliance with the January 27, 2017 ruling. This testimony, and the concurrently served volumes, supersede SDG&E’s previously served testimony (Ex. SDGE-01).

\section*{B. Content of SDG&E’s NDCTP Testimony Volumes}

SDG&E offers the following testimony to cover these various areas:

\begin{flushleft}
\begin{itemize}
\item \textbf{D.10-07-047 at 2.}
\item On September 18, 2015, Commission Executive Director Timothy Sullivan granted by letter and email the joint request by PG&E, SCE and SDG&E for extension of time to file the 2015 NDCTP application on March 1, 2016 instead of December 21, 2015.
\item SDG&E served SDGE-01 (March 1, 2016) in support of its requests. SDGE-01 has been superseded by subsequently served testimonies.
\item \textit{Joint Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge} (July 15, 2016), at 5. A.15-01-014 and A.15-02-006 were consolidated at the prehearing conference on June 4, 2015 (A.15-01-014/15-02-006, TR at 4:11-13).
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1. **Overview**

This volume of testimony, Ex. SDGE-02, provides an overview of SDG&E’s Oversight role at SONGS, and describes SDG&E’s Oversight and Fiscal Management roles and processes.


Ex. SDGE-03 presents SONGS 1 decommissioning expenses incurred by SDG&E during the periods 2009-2012 and 2013-2015. It also provides support for a finding of reasonableness for costs recorded by SDG&E for Unit 1 during these time periods. Ex. SDGE-03 also includes testimony from SDG&E’s nuclear industry expert addressing the reasonableness of SONGS 1 decommissioning activities.

3. **2016 SONGS 1 DCE**

Ex. SDGE-04 provides testimony from SDG&E in support of a finding of reasonableness for the updated SONGS 1 DCE, including future SDG&E-only incurred costs.

4. **SONGS 1 Trust Fund Contributions and Trust Fund Management**

Ex. SDGE-05 presents SDG&E’s financial assumptions and analyses, and trust fund contribution requests for SONGS 1, describes the regulatory accounting for SONGS 1 and addresses tax issues associated with the decommissioning of SONGS.

5. **SONGS 2&3 2015 Reasonableness Review**

Ex. SDGE-06 presents the costs SDG&E incurred, as billed by SCE for SONGS 2&3 decommissioning projects completed in 2015, and SDG&E-only costs incurred in 2015, for a reasonableness review by the Commission. Ex. SDGE-07 provides additional detail regarding the costs SDG&E recorded for nuclear fuel contract cancellation costs in 2015.
II. SONGS OVERSIGHT BY SDG&E (S. GARCIA)

In this testimony, I address SDG&E’s role in SONGS decommissioning activities. The San Onofre Nuclear Generating Station (“SONGS”) is licensed under the Nuclear Regulatory Commission (“NRC”) as three units. SDG&E has a 20% minority ownership stake in each of the three nuclear units and, as such, is contractually obligated to pay its 20% ownership share of all expenses including decommissioning expenses. Ever since the SONGS site started transitioning to a closed nuclear facility and entered the decommissioning period in June 2013, SDG&E has worked to create decommissioning oversight – both of activities at SONGS and the related fiscal and accounting activities – by bolstering current and establishing new processes and procedures. This testimony describes the processes and procedures.

A. SDG&E’s Oversight Role of Activities at SONGS (S. Garcia)

While SDG&E is neither the NRC licensee for SONGS (the licensee is SCE), nor the decommissioning agent for SONGS (the agent is SCE), SDG&E has sought to refine its decommissioning oversight role at SONGS through different processes.

First, ever since SCE announced SONGS’ permanent cessation of operations, SDG&E has sought to create an internal SONGS decommissioning group (“SONGS Team” or “SONGS Group”). Through 2015, SDG&E had three employees working on SONGS decommissioning: one on-site employee, a budget analyst and a manager. The on-site employee and budget analyst served on the SONGS Co-Participant’s (i.e., SCE, and the Cities of Anaheim and Riverside) Budget Committee and the manager served as an alternate on the SONGS Co-Participant’s Executive Committee. In late 2015, SDG&E added another financial analyst position to support additional regulatory analytical efforts. Also, in late 2015, SDG&E added a project manager to assist with additional oversight and project management work related to the Decommissioning General Contractor selection and regulatory filings.

Second, when the plant was producing electricity, and now that it is in decommissioning, SDG&E stationed a dedicated employee at the plant to follow major activities at the site and to report to SDG&E management plant status relative to projects and budget. As such, this employee participates in middle and upper management site meetings to keep apprised of

12 The costs that SDG&E has recorded associated with its activities described in this section (“SDG&E-only” costs) are described in more detail in Ex. SDGE-06 (SDG&E-only costs for Units 2&3 for 2015).
decommissioning activities and plans. To keep apprised of the activities occurring at the plant, the employee attended daily plant meetings, weekly project status meetings, monthly project update meetings, and monthly SONGS Co-Participants Executive Committee and Budget Committee meetings.

Third, in April 2015, SDG&E and the other three SONGS Co-Participants executed a decommissioning agreement (“Decommissioning Agreement”) that governs SDG&E co-owner participation roles and responsibilities during decommissioning. The Decommissioning Agreement establishes a decommissioning agent, participant funding responsibilities and participant involvement in the governance of the decommissioning agent. This Decommissioning Agreement governs the decommissioning of all three units. The Decommissioning Agreement also establishes the Executive, Budget, Fiscal, and Legal committees. The Budget and Executive committees approve major monetary commitments. SDG&E actively participates in all four of the committees. In addition, an independent nuclear expert (i.e. Decommissioning Advisor) assists the Executive Committee on an as-needed basis.

Fourth, soon after shutdown, SDG&E retained a spent nuclear fuel/decommissioning consultant, Mr. Adam Levin, to serve as an industry consultant to its SDG&E SONGS team. Mr. Levin provides valuable insight as to past and present decommissioning activities within the industry, NRC’s requirements, and nuclear issues before the Department of Energy (“DOE”). He serves as SDG&E’s industry expert when we seek confirmation that activities or plans for SONGS comport with industry practices.

B. SDG&E’s Fiscal Management Role and Procedures (S. Garcia)

As a 20% minority owner of all three units at SONGS, SDG&E has a fiscal responsibility to fund 20% of the decommissioning activities at SONGS. Since the June 2013 shutdown announcement, SDG&E has developed several procedures and processes to fulfill its fiscal management role as a minority owner of SONGS.

First, SDG&E has structured its new internal SONGS decommissioning group with an emphasis on fiscal review. As described in Section A above, this group had three employees but two additional employees were added in late 2015 to provide more fiscal management.

Second, SDG&E tracks performance to budget for decommissioning activities on a monthly basis. SDG&E reviews the monthly budget and performance reports prepared by SCE each month. SDG&E follows up with SCE regarding significant under- and over-budget line
items to determine the reason for the variance. In addition, under the Decommissioning Agreement, upon the Budget Committee’s recommendation, the Executive Committee reviews and approves the annual decommissioning budget. Both Committees also review and approve budgets for specific decommissioning projects. Contracts or change orders to existing contracts in excess of $3 million dollars require unanimous approval by the SONGS Co-Participants. SDG&E is an active member of the Committees.

Third, SDG&E reviews SCE’s monthly decommissioning invoices before authorizing payments. Each invoice is reviewed for accuracy and any unusual or unexpected fluctuations are followed up with SCE. Invoices are approved by the SONGS Team management. Starting in 2015, SCE’s monthly decommissioning invoices segregate costs by unit and by decommissioning cost categories required by the NRC and/or the Commission. SDG&E’s review processes include confirming that the detailed actual cost files and the advanced funding request support package provided by SCE reconcile to the monthly invoiced amount for each unit and that all costs are classified by the appropriate cost categories to ensure trust fund withdrawals are made pursuant to applicable regulatory requirements.

Lastly, in 2016 in accordance with the Decommissioning Agreement, an audit was done by PricewaterhouseCoopers of decommissioning costs for the period June 7, 2013 through December 31, 2015. The audit report concluded that the SONGS decommissioning costs for the period were an accurate presentation of decommissioning costs, only including eligible decommissioning costs, and were appropriately allocated among the Co-Participants.

C. **NDT Cost Recovery Process (T. Dalu)**

SDG&E also has established processes in place to retrieve funds from its Nuclear Decommissioning Trusts to pay for nuclear decommissioning costs. The procedures vary by unit, and have been largely established by the Commission.

1. **SONGS Unit 1**

As approved in D.99-06-007, SDG&E currently has the authority to access trust funds for SONGS Unit 1 decommissioning costs as needed. The decision “authorize[d] the decommissioning of San Onofre Nuclear Generating Station Unit 1 (SONGS 1) and amendment of the Master Trust Agreements (“MTAs”) to facilitate timely availability of the funds to pay the
costs of decommissioning.” SDG&E’s current process is to request trust reimbursement for actual costs billed by SCE on a quarterly basis. The request is supported by SCE Unit 1 decommissioning invoices that have been reviewed and approved by SDG&E Generation Accounting, the SDG&E SONGS Team and by SDG&E Accounting Management. Once the request is approved, SDG&E Generation Accounting prepares a “Withdrawal Certificate,” which is approved and signed by authorized representatives designated by the SDG&E NDT Committee. Upon approval of the Withdrawal Certificate, the SDG&E Pension and Trust Investment team contacts the SDG&E NDT Trustee, currently BNY Mellon, and arranges for assets to be sold from the NDTs. Once this is complete, the Trustee wires cash to reimburse SDG&E.

2. SONGS Units 2&3

SDG&E received authority in 2016 to access trust funds for the upcoming year of forecasted decommissioning expenditures. D.16-04-019 authorizes SDG&E to file annually Forecast and Recorded Decommissioning Disbursement Tier 2 Advice letters consistent with its share of SONGS Units 2&3 decommissioning costs as presented by SCE and billed to SDG&E by SCE, plus any additional administrative costs unique to SDG&E. Such advice letters must show information supporting the requested disbursements.

Based on information provided by SCE and forecasted amounts included in the approved DCE, SDG&E files the Forecasted Decommissioning Disbursement Tier 2 advice letter in the fourth quarter every year to request the authority to withdraw funds up to that forecasted amount in the following year. This includes the estimated disbursement amounts required to cover the cost of SDG&E’s 20% share billed from SCE and SDG&E-only costs that are expected during the following year. It also includes an estimated amount to be spent for each activity during the period, a correlation of the activities and costs to the most recent DCE, and an explanation for any differences (amount and timing) from the most recent DCE. SDG&E files the Recorded Decommissioning Disbursement Tier 2 advice letter in the following year with a true-up of actual expenses to the forecast.

13 D.99-06-007 at 2.

14 D.16-04-019, Ordering Paragraph 5, and SDG&E Advice Letter 2909-E, effective August 1, 2016.
Accordingly, SDG&E has initiated new processes to allow for quick and accurate reimbursement from the NDTs after the Forecast advice letter is approved by the Commission. Similar to the process noted above for Unit 1, after reviewing SONGS Units 2&3 decommissioning costs billed by SCE (or incurring an SDG&E-only cost), SDG&E’s Generation Accounting Group prepares a “Withdrawal Certificate,” which requires the approval and signature of authorized representatives designated by SDG&E’s NDT Committee. Upon approval of the Withdrawal Certificate, the Pension and Trust Investment team contacts the SDG&E NDT Trustee, currently BNY Mellon, and arranges for assets to be sold from the NDTs. Once this is complete, the Trustee wires cash to reimburse SDG&E for decommissioning payments made to SCE or for its own internal decommissioning costs.

D. DOE Settlement Recovery (T. Dalu)\textsuperscript{15}

In April 2016, SCE, acting on behalf of the SONGS co-owners (SCE, SDG&E and the Cities of Riverside and Anaheim), signed and executed a spent fuel settlement agreement for $162 million with the Department of Justice to resolve claims through 2013 resulting from the Department of Energy’s failure to timely pick up spent nuclear fuel (“DOE Settlement”).\textsuperscript{16} SDG&E’s share of the settlement, net litigation costs, is approximately $32 million. The Commission has previously stated that it expects that “the net proceeds [of a settlement or litigation award from the DOE] should be credited appropriately back to the source of the funds used for these activities.”\textsuperscript{17} SDG&E credited its share of the DOE award back to ratepayers. Of the $32 million received, $23.5 million was recorded as a reduction to SDG&E’s SONGS Regulatory Asset related to its net investment in Non-Steam Generator Replacement Project (“SGRP”), Construction Work in Progress (“CWIP”), and Materials and Supplies (“M&S”); $0.9 million was credited to the SONGS O&M Balancing Account (“SONGSBA”) for O&M costs incurred.

\textsuperscript{15} This testimony is provided in accordance with OP 12 of D.14-11-082.

\textsuperscript{16} Information about the April 2016 Settlement was presented in p. 1 of the “Summary of SONGS OII Amended Settlement Agreement and Settlement Implementation,” attached as Attachment A to the Response of San Diego Gas & Electric Company (U 902 E) to Joint Ruling of Assigned Commissioner and Administrative Law Judge Reopening Record, Imposing Ex Parte Contact Ban, Consolidating Advice Letters, and Setting Briefing Schedule (I.12-10-013, June 2, 2016).

\textsuperscript{17} D.14-12-082 at 35.
from 2007 to 2012; and $7.6 million was credited to the Nuclear Decommissioning Adjustment
Mechanism (“NDAM”) account for offsite Morris storage costs paid for Unit 1.

The DOE Settlement sets forth an administrative procedure for the submission of claims
for costs incurred from 2014 through 2016, which provides for arbitration if the settlement
process is unsuccessful. SCE, acting for itself and SDG&E, submitted claims for spent fuel
management costs incurred during 2014 and 2015 on September 30, 2016. These claims are still
pending at the time this testimony was submitted. Claims for spent fuel management costs
incurred during 2016 must be submitted by September 30, 2017. SDG&E is not guaranteed
recovery of its claims. SDG&E will provide supplement testimony concerning the outcome of
these claims to the Commission.
WITNESS QUALIFICATIONS FOR SUE E. GARCIA

My name is Sue E. Garcia. My business address is 8315 Century Park Court, San Diego, CA 92123. I am employed by SDG&E as the Manager – Nuclear Decommissioning, responsible for the oversight and management of SDG&E’s interest in the decommissioning of the San Onofre Nuclear Generation Station. Previously I was the Manager - Settlements and Systems in the Electric and Fuel Procurement Department. My duties included the settlements of all electric and fuel commodity transactions as well as the management and administration of existing power purchase agreements. I have been employed by SDG&E since 1995. I have been in my current position since March 2016.

I received a B.S. in Business Administration, with an Accounting emphasis, from San Diego State University. I am a Certified Public Accountant and a Certified Internal Auditor.

I have previously testified before this Commission.
WITNESS QUALIFICATIONS FOR TRACY M. DALU

My name is Tracy M. Dalu and my business address is 8330 Century Park Court, San Diego, California 92123. I am employed by SDG&E as a CPA and am the SONGS Nuclear Decommissioning Fiscal Manager. My primary responsibilities are to provide oversight and proper fiscal management of SDG&E’s 20% ownership interest in SONGS and to provide financial information to support legal and regulatory filings. I have been in my current role since April of 2016. Prior to my current role, I was the Generation Accounting Supervisor for SDG&E where my primary responsibilities were to account for and report on all SDG&E owned generation facilities, including SONGS. I was also responsible for the accounting and financial reporting of SDG&E’s asset retirement obligations and ensuring that SDG&E was in compliance with Securities Exchange Commission ("SEC") and regulatory reporting requirements. I began work at Sempra Energy in May 2002 as an accountant for Sempra Energy’s Global division and was responsible for the financial reporting of their generation fleet. My responsibilities included preparing financial statements, consolidations, cash flows, variance analysis and ensuring compliance with SEC reporting. Prior to my career at SDG&E I spent three years working as an auditor for Price Waterhouse Coopers. I graduated from San Diego State University in 1994 with a Bachelor of Science in Business Administration (Accounting emphasis) and obtained my CPA license in 2001.

I have previously testified before this Commission.