

**SONGS — PHASE 1 TESTIMONY**

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**I. DECEMBER 17<sup>th</sup> TESTIMONY (SDG&E-1)**

WITNESS	TESTIMONY	WITHIN THE SCOPE OF PHASE 1?
B. Schlax	<p>I. INTRODUCTION</p> <p>II. RATEMAKING</p> <p style="padding-left: 20px;">A. Introduction</p> <p style="padding-left: 20px;">B. The Commission Should Not Adjust Rates at this Time</p> <p>III. REVENUE REQUIREMENT TO BE TRACKED SUBJECT TO REFUND</p> <p style="padding-left: 20px;">A. 2012 GRC Revenue Requirement</p> <p style="padding-left: 20px;">B. Steam Generator Replacement Project Revenue Requirement</p> <p style="padding-left: 20px;">C. 2012 Energy Resource Recovery Account (ERRA) Forecast Revenue Requirement</p> <p style="padding-left: 20px;">D. SONGS-Related Balancing Account Amortizations</p> <p style="padding-left: 20px;">E. Nuclear Decommissioning Triennial Proceeding</p> <p style="padding-left: 20px;">F. SOGNS Units 2&amp;3 Revenue Requirement Memorandum Account</p> <p style="padding-left: 20px;">G. Public Utilities Code 455.5 Requirements Should Rates Be Adjusted</p> <p>IV. FINANCIAL EFFECTS OF REMOVING SONGS 2&amp;3 FROM RATES</p> <p style="padding-left: 20px;">A. Introduction</p> <p style="padding-left: 20px;">B. Uncertainty Creates Risk</p> <p style="padding-left: 40px;">1. Regulatory Risk</p> <p style="padding-left: 40px;">2. Financial Risk</p> <p style="padding-left: 40px;">3. Combination of Regulatory and Financial Risk, Possible Downgrade</p> <p style="padding-left: 20px;">C. Overall Credit Downgrade Results in Higher Overall Costs to Ratepayers</p>	No.
M. De Marco	V. A PORTION OF THE SONGS O&M REVENUE	No.

WITNESS	TESTIMONY	WITHIN THE SCOPE OF PHASE 1?
	<p>REQUIREMENT SHOULD NOT BE SUBJECT TO REFUND OR REMOVED FROM RATES</p> <p>A. Introduction</p> <p>B. Used Fuel Storage and Other Activities Related to Safety and Security at SONGS</p> <p>C. Additional SONGS Costs That Should Not Be Subject to Rate Reduction or Removed from Rates</p> <p>D. SDG&amp;E's SONGS Costs Addressed in SDG&amp;E's 2012 GRC That Should Not Be Subject to Rate Reduction or Removed from Rates</p> <ol style="list-style-type: none"> <li>1. Unit 1 Used Fuel Storage</li> <li>2. SONGS Site Easement</li> <li>3. SONGS Insurance</li> <li>4. SDG&amp;E's SONGS Operations and Billing Oversight</li> <li>5. Summary of SDG&amp;E SONGS Costs That Should Not Be Subject to Rate Reduction or Removed from Rates</li> </ol> <p>E. Conclusion</p>	

**II. JANUARY 9<sup>th</sup> TESTIMONY (SDG&E-2)<sup>1</sup>**

WITNESS	Q#	ABBREVIATED DESCRIPTION OF QUESTION	WITHIN SCOPE OF PHASE 1?
M. De Marco	1	Provide a copy of any report issued by the NRC that addresses the cause(s) of the outage.	No.
	2	Provide a copy of any reports provided by any outside consultants retained to assist with the utility's investigation of the cause(s) of the outage.	No.
	3	Provide the type and quality of fuel used by the SONGS units.	No.
	4	Describe any limitations on the implications an outage	No.

<sup>1</sup> SDG&E's responses to questions 1-15, 21, 23, and 24 refer to SCE's responses in Exhibit SCE-2 as the operating agent.

WITNESS	Q#	ABBREVIATED DESCRIPTION OF QUESTION	WITHIN SCOPE OF PHASE 1?
		in any one unit may or may not have on the total output of the entire facility.	
	5	For the last five years, whether or not there were any <i>scheduled</i> outages, and if so, how many ...	No.
	6	For the last five years, whether or not there were any <i>unplanned</i> outages, and if so, how many ...	No.
	7	Were there any periods of time during which SONGS experienced any limitations on its capacity or output ... such that its output was limited or restricted to a level of less than 90% of its nominal rated output...	No.
	8	Provide SCE's original SONGS Units 2 and 3 O&M budget for the last five years.	No.
	9	Provide the actual SONGS Units 2 and 3 O&M recorded expenses for the last five years.	No.
	10	Provide SCE's original SONGS Units 2 and 3 capital budget for the last five years.	No.
	11	The actual SONGS Units 2 and 3 recorded capital spending for the last five years.	No.
	13	Provide a spreadsheet showing quantities and costs for purchased uranium . . . for: • each fuel type used during 2011-2012; • data for 2013, by month, January through December; and • the annual total for 2012.	Yes. <sup>2</sup>
	14	Identify the number of nuclear fuel purchase contracts open during 2011 and 2012, and provide the terms and conditions of the contracts related to any costs or savings arising from the extended outages of Units 2 and 3.	<del>Yes</del> -No
	15	Provide in a spreadsheet, data for both SONGS units: CAISO-rated capacity; % of capacity to which SCE & SDG&E are respectively entitled; nameplate rated capacity; etc.	No.
	21	Does the utility believe that it can meet a prudence standard, in its management of SONGS regarding the current outages, and does the utility believe it currently employs an appropriate program of internal audits and controls regarding SONGS?	No.
	23	Provide the daily energy production for each SONGS	No.

<sup>2</sup> The quantity and cost of nuclear fuel consumed at SONGS in 2012 is a Phase 1 issue. Other issues related to nuclear fuel are dependent on the future operation of SONGS and should therefore be examined in Phase III.

WITNESS	Q#	ABBREVIATED DESCRIPTION OF QUESTION	WITHIN SCOPE OF PHASE 1?
		unit from December 1, 2010, through December 31, 2012.	
	24	Provide any nuclear notifications and/or cited or non-cited nuclear violations associated with the current outages.	No.
	25	Provide a copy of the Confirmatory Action Letter issued to SCE by the NRC on concerning the SONGS outage.	No.
A. Scates	16	Identify best methodology for valuing the cost of replacement power; justify recommendation.	<del>Yes</del> No. <sup>3</sup>
	17	Identify any source of hour-ahead energy prices . . . which you believe would better represent replacement energy costs than CAISO's hour-ahead energy prices, and justify your recommendation.	<del>Yes</del> No.
	18	Identify any source of <i>day-ahead</i> energy prices . . . which you believe would better represent replacement energy costs than CAISO's <i>day-ahead</i> energy prices, and justify your recommendation.	<del>Yes</del> No.
	19	Describe the circumstances in which the utility can enter into bilateral energy procurement contracts that incur lower procurement costs for replacement energy than by relying on CAISO . . .	No
	20	Identify the methodology which you believe would provide a good estimate of the actual costs avoided during the current outages.	No.
B. Schlax	22	Did the utility perform any internal audit regarding any aspect of SONGS administration within the last five years?	No.

<sup>3</sup> In SDG&E's June 1, 2013 ERRR review application, SDG&E will submit testimony quantifying its 2012 replacement power costs. SDG&E understands that this testimony will be consolidated with this OII. However, review of whether SDG&E's procurement complied with its AB 57 Bundled Procurement Plan should be conducted on a portfolio basis in ERRR. In Phase III of the OII, the Commission will consider the allocation of responsibility for the outages, which could include consideration of whether any portion of replacement power costs should be disallowed. SDG&E believes that the quantification of replacement power costs (and associated issues regarding the methodology to determine such costs) should also be reviewed in Phase III. SDG&E does not believe that any potential disallowance for utility imprudence (if any) should be based on the replacement power costs presented in the ERRR testimony, and SDG&E reserves all rights to present an alternative methodology for calculation of a disallowance, if one is imposed.

**III. MARCH 19<sup>th</sup> TESTIMONY (SDG&E-3)**

WITNESS	TESTIMONY	WITHIN SCOPE OF PHASE 1?
M. De Marco	<p><b>CHAPTER 1</b></p> <p>I. PURPOSE OF TESTIMONY</p> <p>II. OVERVIEW</p> <p>III. SDG&amp;E’S 2012 SONGS ACTUAL INCURRED COSTS BY CATEGORIES REQUESTED IN SDG&amp;E’S 2012 GRC</p> <ol style="list-style-type: none"> <li>1. Unit 1 Used Fuel Storage</li> <li>2. SONGS Site Easement</li> <li>3. Songs Insurance</li> <li>4. SDG&amp;E’s SONGS Operations and Billing</li> <li>5. SDG&amp;E’s SONGS Capital-Related Costs</li> </ol> <p>IV. CONCLUSION WITH RESPECT TO CHAPTER 1</p>	Yes
M. De Marco	<p><b>CHAPTER 2</b></p> <p>V. PURPOSE OF TESTIMONY</p> <p>VI. OVERVIEW</p> <p>VII. SONGS OPERATIONS AND MAINTENANCE COSTS</p> <p>VIII. SONGS CAPITAL EXPENDITURES</p> <p>IX. CONCLUSION WITH RESPECT TO CHAPTER 2</p> <p>APPENDIX A</p>	Yes.

**IV. MARCH 18<sup>th</sup> TESTIMONY (SDG&E-4)**

WITNESS	TESTIMONY	WITHIN SCOPE OF PHASE 1?
M. De Marco	<p>I. INTRODUCTION</p> <p>II. OVERVIEW</p> <p>III. SONGS SGRP EXPENDITURES</p> <p>IV. ESCALATION</p> <p>IV. CONCLUSION</p>	No.

WITNESS	TESTIMONY	WITHIN SCOPE OF PHASE 1?
G. Shimansky	I. RATEMAKING II. HISTORY OF RECOVERY III. CONCLUSION	No.

**V. MARCH 18<sup>th</sup> SGRP APPLICATION**

On March 18, 2013, SDG&E filed A. 13-03-014, requesting that the Steam Generator Replacement Project costs be permanently included in rates. The January 28, 2013, Scoping Memo stated that Phase III will include a review of “whether claimed SGRP expenses are reasonable.” A. 13-03-014 should therefore be addressed in Phase III.