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Exhibit No.: Utilities-3  
SCE Witnesses: Todd Cameron  
Kathryn Enright  
Gregory Henry  
Paul Hunt  
Michael Parise  
SDG&E Witnesses: Michael De Marco  
Amanda Jenison  
Yvonne Le Mieux  
Brian Nelson  
Randall Rose

**Southern California Edison Company**  
**(U 338-E)**

**San Diego Gas & Electric Company**  
**(U 902-E)**

***TESTIMONY IN SUPPORT OF 2012 NUCLEAR  
DECOMMISSIONING COST TRIENNIAL JOINT  
APPLICATION***

Before the

**Public Utilities Commission of the State of California**

Rosemead, California  
December 21, 2012

# TESTIMONY IN SUPPORT OF 2012 NUCLEAR DECOMMISSIONING COST TRIENNIAL JOINT APPLICATION

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1 I.

2 **AMOUNT OF DECOMMISSIONING TRUST FUND CONTRIBUTIONS**

3 **A. Introduction**

4 The purpose of this testimony is to develop updated contribution amounts to be made to nuclear  
5 decommissioning trust funds for San Onofre Nuclear Generating Station Units Nos. 2 and 3 (SONGS  
6 2&3). These contributions are intended to provide assurance of the availability of funds for Southern  
7 California Edison Company's (SCE's) and San Diego Gas & Electric Company's (SDG&E's) shares of  
8 the costs required to decommission SONGS 2&3 in the future. SCE also holds an interest in the Palo  
9 Verde Nuclear Generating Station Unit Nos. 1, 2 and 3 (Palo Verde). The amounts in the nuclear  
10 decommissioning trust funds for Palo Verde are intended to provide assurance of the availability of  
11 funds for SCE's share of the costs required to decommission Palo Verde in the future.

12 In OII-86, Decision (D.) 87-05-062, the California Public Utilities Commission (Commission or  
13 CPUC) adopted externally managed trust funds as the vehicles for accumulating funds for the ultimate  
14 decommissioning of the nuclear power plants owned by California utilities. In response to D.87-05-062,  
15 SCE and SDG&E each established two master trust agreements for SCE's and SDG&E's respective  
16 shares of nuclear decommissioning costs. SCE and SDG&E each established one trust agreement as the  
17 vehicle to hold the decommissioning funds for contributions which qualify for an income tax deduction  
18 under Section 468A of the Internal Revenue Code (Qualified Trust).<sup>1</sup> SCE and SDG&E have also each  
19 established one nonqualified master trust agreement designed to hold the remaining decommissioning  
20 funds in trusts that cannot be held in Qualified Trusts. Within each master trust, SCE and SDG&E each  
21 established unit accounts to maintain separate trust accounts for each of its nuclear units. The  
22 Commission approved SCE's and SDG&E's trust agreements and, following Internal Revenue Service  
23 approval of SCE's and SDG&E's respective Schedules of Ruling Amounts,<sup>2</sup> the trusts were initially  
24 funded in February 1988.

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<sup>1</sup> 26 U.S.C. 468A.

<sup>2</sup> These schedules have been updated at various times since.

1 **B. Present Funding Levels For SONGS And Palo Verde**

2 **1. SCE**

3 The current authorized annual contribution to SCE's SONGS 2&3 nuclear decommissioning  
4 trust is \$22.726 million. There are no annual contributions for the SONGS 1 or Palo Verde nuclear  
5 decommissioning trusts at this time. The market value of SCE's nuclear decommissioning trust funds for  
6 SONGS 2&3 and Palo Verde is \$4.0 billion as of September 30, 2012. This equates to a net liquidation  
7 value of \$3.66 billion after adjusting the market value for estimated taxes that will be paid on net  
8 investment gains, when the securities are sold in the future. After accounting for these taxes, the  
9 remaining \$3.66 billion will be available to fund decommissioning activities.

10 **2. SDG&E**

11 The current level of authorized annual contributions to SDG&E's SONGS Units 2 and 3 Nuclear  
12 Decommissioning Trusts is \$8.07 million.<sup>3</sup> Based upon the Commission's prior orders in the 2009  
13 Nuclear Decommissioning Cost Triennial Proceeding, SDG&E does not currently make contributions to  
14 the SONGS Unit 1 Nuclear Decommissioning Trust. As of September 30, 2012, the market value of  
15 SDG&E's Nuclear Decommissioning Trust Funds for SONGS Units 1, 2 and 3, was \$892.014 million.  
16 This equates to a liquidation value, after fees and taxes, of \$808.822 million. The liquidation value of  
17 the Trusts represents the amount of funds that would be available to fund decommissioning activities.

18 **C. Proposed Funding Levels For SONGS And Palo Verde**

19 **1. SCE**

20 a) SONGS 1

21 SCE's SONGS 1 nuclear decommissioning trust funds, plus the expected tax benefits associated  
22 with SCE's Nonqualified Trusts for SONGS 1, contain sufficient monies to complete SCE's share of  
23 SONGS 1 decommissioning based on the updated SONGS 1 remaining Cost Estimate of \$145.8 million  
24 (80% share, 2011\$) as provided in this Application for remaining decommissioning work. Therefore,

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<sup>3</sup> Decision 10-07-047 at Conclusion of Law 11.



1 SCE proposes annual future contributions of zero during the next NDCTP cycle for SCE's portion of  
2 SONGS 1 decommissioning.

3 As of November 12, 2011, SCE was authorized by the Commission to amend its Nuclear  
4 Decommissioning Trust Agreements to allow for the special transfer of assets from SCE's non-qualified  
5 to qualified trusts as permitted by the Internal Revenue Service and as facilitated by state tax-  
6 reconciliation legislation. In approving SCE Advice Letter 2639-E, the Commission allowed SCE to  
7 take advantage of 2010 Senate Bill 401, Section 4, which amended California Revenue and Taxation  
8 Code Sections 17024.5(a)(1)(O) and 23051.5, and transfer, without adverse tax consequences, funds  
9 from SCE's preexisting non-qualified trusts for SONGS Units 1 to SCE's qualified trusts for that same  
10 unit. SCE completed the transfer on or about November 17, 2011. The tax benefits associated with the  
11 tax deduction associated with the transfer of the funds from the nonqualified trust to the qualified trust  
12 will continue to be held for future decommissioning purposes in SCE's nonqualified SONGS 1 trust.  
13 The transfer benefits SCE's ratepayers by allowing SCE to maximize the tax benefits available to SCE  
14 under state and federal tax law related to nuclear decommissioning trust funds, thus maximizing the  
15 efficiency and economics of existing funds to assure the adequacy of decommissioning funding.

16 b) SONGS 2 & 3

17 SCE's proposed annual contribution to the SONGS 2&3 decommissioning trust funds is \$40.982  
18 million, beginning on January 1, 2014. The current annual contribution set in D.10-07-047 was based  
19 on SCE's trust fund balances as of December 31, 2009 and economic and financial projections that were  
20 available in 2009 plus assumptions that were agreed to as part of the settlement agreement between  
21 SCE, SDG&E, and TURN contained in Appendix B to D.10-07-047.<sup>4</sup> Other parts of this exhibit explain  
22 why the current annual contribution must be increased and why the recommended contribution is  
23 reasonable.

24 As of November 12, 2011, SCE was authorized by the Commission to amend its Nuclear  
25 Decommissioning Trust Agreements to allow for the special transfer of assets from SCE's non-qualified

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<sup>4</sup> Pacific Gas & Electric Company was also a party to the settlement agreement.

1 to qualified trusts as permitted by the Internal Revenue Service and as facilitated by state tax-  
2 reconciliation legislation. In approving SCE Advice Letter 2639-E, the Commission allowed SCE to  
3 transfer funds from SCE's preexisting non-qualified trusts for SONGS Unit 2 to SCE's qualified trust  
4 for that same unit. SCE completed the transfer on or about November 17, 2011. The tax benefits  
5 associated with the tax deduction associated with the transfer of the funds from the nonqualified trust to  
6 the qualified trust will continue to be held for future decommissioning purposes in SCE's nonqualified  
7 SONGS 2 trust. The transfer benefits SCE's ratepayers by allowing SCE to maximize the tax benefits  
8 available to SCE under state and federal tax law related to nuclear decommissioning trust funds, thus  
9 reducing the annual contributions and revenue requirements associated with assuring the adequacy of  
10 decommissioning funding. Based on these events, SCE's requests in this application are limited to  
11 contributing only to the qualified trusts for these units.

12 c) Palo Verde 1, 2 & 3

13 SCE's current projection is that the funds in the Palo Verde decommissioning trust, if reinvested  
14 at SCE's projected rates of return on the various classes of trust fund assets, will be sufficient to meet  
15 SCE's share of the projected cost of decommissioning the Palo Verde units. Therefore, SCE  
16 recommends no change to the zero contribution level for the Palo Verde decommissioning trust.

17 **2. SDG&E**

18 a) Decommissioning Cost Estimates

19 In accordance with its responsibilities as the Decommissioning Agent for SONGS Units 1, 2 and  
20 3, SCE provided updated decommissioning cost estimates for those units to SDG&E. SDG&E reviewed  
21 these cost estimates and determined that the estimates were prepared using standard industry  
22 conventions, best practices and assumptions consistent with information available to SDG&E. SDG&E  
23 believes the SCE decommissioning cost estimates are reasonable and should be adopted. If the SCE  
24 decommissioning cost estimates are adopted by the Commission, SDG&E's twenty-percent (20%)  
25 ratable share of decommissioning costs for SONGS Units 1, 2 and 3 would be \$36.46 million, \$400.625  
26 million, and \$423.093 million (2011\$), respectively.

1                   b)     SONGS Unit 1

2                   SDG&E forecasts that the level of funds in the SONGS Unit 1 Nuclear Decommissioning Trust  
3 Fund will be sufficient to meet SDG&E's ratable share of the costs of decommissioning SONGS Unit 1.  
4 This forecast is based upon the updated SONGS Unit 1 decommissioning cost estimate provided by SCE  
5 to SDG&E. SDG&E's ratable share of SONGS Unit 1 decommissioning costs is estimated to be \$36.46  
6 million (2011\$) and the level of funds in the SDG&E SONGS Unit 1 Nuclear Decommissioning Trust  
7 Fund was \$96.629 million as of September 30, 2012. Under the current cost assumptions, escalation  
8 rates, and estimated Trust returns, the funds in SDG&E's SONGS Unit 1 Trust are expected to be  
9 adequate to cover the remaining costs associated with decommissioning Unit 1. However, the current  
10 expected surplus is subject to changes in future economic conditions and additional future costs as new  
11 information is discovered. For this reason, SDG&E recommends the surplus funds remain in SDG&E's  
12 Unit 1 Trust in order to cover these uncertainties and assure funding adequacy for the remaining  
13 decommissioning activities related to SONGS Unit 1.

14                   c)     SONGS Units 2 & 3

15                   SDG&E is requesting that the Commission approve a level of annual contributions equal to  
16 \$16.239 million, and that such contributions be made to the SDG&E Nuclear Decommissioning Trust  
17 Funds for SONGS Units 2 and 3. This level of contributions represents an increase of \$8.17 million  
18 above the level of contributions last approved by the Commission and is based upon the updated  
19 SONGS Units 2 and 3 decommissioning cost estimate provided by SCE to SDG&E. Under the SCE  
20 estimate, SDG&E's ratable share of SONGS Units 2 and 3 decommissioning costs is estimated to be  
21 \$823.718 million. Given the balances in SDG&E's Nuclear Decommissioning Trust Funds for SONGS  
22 Units 2 and 3 of \$712.193 million as of September 30, 2012, and the returns that are reasonably  
23 achievable through the investment of funds in these accounts, SDG&E believes the proposed level of  
24 contributions is necessary to support the full and reasonable costs of decommissioning SONGS Units 2  
25 and 3.

26                   As of October 20, 2011, SDG&E was authorized by the Commission to amend its Nuclear  
27 Decommissioning Trust Agreements to allow for the special transfer of assets from SDG&E's

1 Nonqualified Trust to its Qualified Trust as permitted by the Internal Revenue Service and as facilitated  
2 by state tax-reconciliation legislation. In approving SDG&E Advice Letter 2288-E, the Commission  
3 allowed SDG&E to take advantage of 2010 Senate Bill 401, Section 4, which amended California  
4 Revenue and Taxation Code Sections 17024.5(a)(1)(O) and 23051.5, and transfer, without adverse tax  
5 consequences, funds from SDG&E's preexisting Nonqualified Trust for SONGS Units 2 and 3 to  
6 SDG&E's Qualified Trust for those same units. SDG&E completed the transfer in early November  
7 2011. The transfer benefits SDG&E's ratepayers by allowing SDG&E to maximize the tax benefits  
8 available to SDG&E under state and federal tax law related to nuclear decommissioning trust funds, thus  
9 reducing the annual contributions and revenue requirements associated with assuring the adequacy of  
10 decommissioning funding. Based on these events, SDG&E's requests in this application are limited to  
11 the making of contributions only to the Qualified Trust for SONGS Units 2 and 3.

12 The Commission should adopt SDG&E's proposed level of annual contributions to its Nuclear  
13 Decommissioning Trust Funds to reflect the latest available decommissioning cost estimates, the current  
14 value of SDG&E's Trust Fund balances, and reasonable projections of Trust fund asset returns.  
15 SDG&E's proposed level of annual contributions is projected to achieve full funding of estimated  
16 decommissioning costs by 2022 when the current SONGS Units 2 and 3 operating licenses expire.  
17 Since the inception of the nuclear decommissioning trusts, the Commission has authorized changes to  
18 the level of annual contributions to the trusts to reflect updated and best available information and  
19 should do so once again in this proceeding.

20 SDG&E is further requesting that SDG&E be permitted to update SDG&E's Nuclear  
21 Decommissioning Trust Fund balances after the close of hearings in this application and, concomitantly,  
22 update its annual contributions to the trusts so that the Commission may base its decision on the latest  
23 available information.

24 **D. Why Proposed Funding Levels Have Increased/Decreased/Remained the Same**

25 **1. SCE**

26 The following table summarizes the differences between the economic and financial assumptions  
27 that support SCE's present annual contribution and SCE's proposed annual contribution.

**Table I-1**  
**Economic and Financial Assumptions**  
**2009 NDCTP Versus 2012 NDCTP**

	2009 NDCTP Authorized	2012 NDCTP
SONGS 2&3 Cost (100%)	\$3,659 million (2008\$)	\$4,119 million (2011\$)
Escalation		
Non-Burial Escalation:		
Labor	3.13%	2.77%
Material, Equipment, Other	1.96%	1.89%
Low Level Waste Burial		
Current Cost per Cubic Foot	\$62 (2008\$, Class A Bulk LLRW)	\$75 (2010\$ Class A Bulk LLRW)
Escalation Rate	6.93%	7.33%
Qualified Trusts Rate Of Return		
Stocks, Pre-Tax	8.75%	7.79%
Bonds, Pre-Tax	4.69%	4.27%
Total, After-Tax		
Pre-Shutdown (60% stocks/40% bonds)		
SONGS 2&3	5.66%	4.96%
Post-Shutdown (100% Bonds)	4.20%	3.34%
SONGS 2 & 3 Contribution Period	Through 2022	Through 2022
Palo Verde Contribution Period (SCE)	Through 2024-2027	Through 2044-2047

**2. SDG&E**

SDG&E's revenue requirement related to the funding of decommissioning liabilities has been affected by changes in the estimated costs of decommissioning the SONGS units, changes in expected returns on trust investments, the variation experienced between forecasted and actual returns on trust investments, and changes in escalation rates from the time of the last NDCTP filing. Given the current low-yield market environment, the expected return on the fixed-income portfolio is lower than the anticipated return in the last NDCTP application. In addition, this low-yield environment is expected to continue over the next several years. The return on equity assumption has also fallen, given the expectation for continued sluggish global economic growth. The result is lower expected returns in the pre-retirement period compared to the last application filing. The estimated cost to decommission

SONGS has increased since the last application filing, largely due to a higher expected burial escalation rate of 7.33 percent.

**E. Why The Commission Should Adopt The Proposed Annual Contributions**

**1. SCE**

The Commission should adopt SCE’s proposed annual contribution levels because they are based on the latest available decommissioning cost estimates, the current value of SCE’s trust fund balances, and reasonable projections of cost escalation and trust fund asset returns.

SCE’s proposed contribution level is projected to achieve full funding of projected decommissioning costs by the expected end of plant operation for SONGS 2&3 in 2022 and Palo Verde 1, 2, and 3 in 2044, 2046 and 2047, respectively. This will ensure that on a forecast basis, (1) the beneficiaries of plant operation will fund nuclear plant decommissioning; and (2) future ratepayers will not bear a disproportionate share of these costs. Of course, no projection is perfect. There is always a risk that actual outcomes will be worse for ratepayers than projected outcomes. Because of this risk, it is prudent to make conservative assumptions regarding trust fund asset returns (adopting lower projected returns) and cost escalation (adopting higher projected escalation rates) and to adopt cost contingencies.

SCE’s projected contribution is lower than some previous historical contribution levels, as can be seen in the following table.

<b><i>Table I-2 Historical Trust Fund Contributions</i></b>		
<b>CPUC Decision(s)</b>	<b>Annual Trust Fund Contribution (\$ Millions)</b>	<b>Annual Revenue Requirement (\$ Millions)</b>
D.10-07-047	22.726	23.845*
D.07-01-003 and D.06-11-025	45.904	46.488
D.03-10-015	31.530*	32.848
D.99-06-007 (Settlement)	24.488	25.000
D.96-01-011	99.822	104.426**
D.91-12-076	96.325	NA
D.87-05-062	97.104	NA
* This amount does not appear in the decision, but can be found in the spreadsheet that was used to estimate the annual trust fund contribution and revenue requirement.		
** This amount appears in D.99-06-007, listed as the revenue requirement corresponding to the \$99.822 million contribution.		

1 From 1987 through 1999, SCE’s annual trust fund contribution was nearly \$100 million per year,  
2 and would exceed \$100 million by a considerable amount if converted to 2009 dollars.<sup>5</sup> By this  
3 standard, SCE’s proposed annual contribution is quite reasonable.

4 **2. SDG&E**

5 Based on the provided updates to the assumptions and inputs used to determine the reasonable  
6 level of annual contributions that SDG&E must make to assure the adequacy of its nuclear  
7 decommissioning funds, SDG&E’s proposed level of contributions represents the reasonable and  
8 prudent level of contributions the Commission should approve.

9 **F. The Commission Should Include an Updating of Trust Fund Amounts in This Application**

10 **1. General Policy**

11 One of the factors affecting SCE’s proposed contribution is the current level of SCE’s trust fund  
12 balances. SCE’s experience in recent NDCTP applications has been that the level of trust fund balances  
13 can change considerably between the time of the application and the time when the Commission renders  
14 a decision on that application.

15 SCE calculates its trust fund balances at the end of each month. SCE proposes that the  
16 Commission permit the updating of SCE’s trust fund balances after the close of hearings in this  
17 Application and update its required contribution levels accordingly, so that the Commission can have the  
18 latest information available as it decides SCE’s application. This is similar to the updating for interest  
19 rates that occurs in cost of capital applications.<sup>6</sup> Such an update will allow the Commission to take  
20 account of unexpected changes in trust fund returns after the application is filed. The settlement  
21 agreement in SCE’s last NDCTP application included a trust fund update.<sup>7</sup>

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<sup>5</sup> The most general measure of price inflation for the United States economy is the Gross Domestic Product Price Index. In 1987, this index stood at 64.818; in the third quarter of 2012, it reached 115.807, a 79 percent increase. If SCE’s 1987 annual trust fund contribution had increased at the same rate, it would be \$173.491 million today.

<sup>6</sup> The Rate Case Plan provides for a late-filed exhibit at day 122 in annual cost of capital applications. D.89-01-040, Appendix C, 1989 Cal. PUC LEXIS 37, \*88. In SCE’s 2013 cost of capital application, A.12-04-015, this exhibit was filed on October 9, 2012.

<sup>7</sup> D.10-07-047, Appendix B, Section 3.1.

1           **2. Tax Concerns**

2           Another reason for the Commission to include updated trust fund amounts relates to the Internal  
3 Revenue Code and the limitation placed on taxpayer’s ability to contribute and deduct amounts into  
4 Qualified Trusts for tax return purposes. Internal Revenue Code Section 468A(b) states that the  
5 deductible “amount which a taxpayer may pay into the Fund for any taxable year shall not exceed the  
6 ruling amount applicable to such taxable year.” To receive the “ruling amount,” a taxpayer must file a  
7 request with the National Office of the Internal Revenue Service, and receive a “Schedule of Ruling  
8 Amounts,” which stipulates allowable annual amounts that may be contributed and deducted for tax  
9 return purposes. Thus, it is important that the annual contribution amounts authorized by the  
10 Commission are equal to or less than the Schedule of Ruling Amounts approved by the Internal Revenue  
11 Service. Otherwise, any portion of the Commission-approved annual contribution amount that exceeds  
12 the Internal Revenue Service-approved Schedule of Ruling Amounts cannot be contributed into the  
13 Qualified Trust nor deducted for tax return purposes.

14           As part of the ruling-request process, the Internal Revenue Service typically requires taxpayers to  
15 re-run the annual contribution requirement amount based on applicable Commission-approved factors  
16 and the most recent actual (not estimated) year-end Qualified Trust fund balance amounts. Thus, having  
17 the Commission approve annual contribution amounts based on updated trust fund balances that are  
18 consistent with fund balances as reflected in the ruling request would provide better symmetry between  
19 Commission-approved contribution amounts and IRS-approved contribution amounts, and would avoid  
20 the adverse situation of having IRS-approved contribution amounts that are less than the Commission-  
21 approved amounts (which would limit the ability to contribute and deduct the entire Commission-  
22 approved decommissioning amounts into Qualified Trusts).

23           **G. Amount Necessary to Decommission**

24           As discussed in Exhibit No. SCE-2, SCE developed nuclear decommissioning costs for SONGS  
25 2&3 based on site-specific studies performed by ABZ, Inc.<sup>8</sup> As also discussed in Exhibit No. SCE-2,

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<sup>8</sup> See Exhibit SCE-2, pp. 4-5.



1 SCE developed nuclear decommissioning costs for Palo Verde based on site-specific studies performed  
2 by TLG.<sup>2</sup> The workpapers to Exhibit No. SCE-2 contain SCE's cost studies for SONGS 2&3 and Palo  
3 Verde. As discussed in Exhibit No. SCE-2, the decommissioning cost estimates include the most recent  
4 information regarding decommissioning activities as well as appropriate contingency. Exhibit No. SCE-  
5 1 contains an estimate of the cost of remaining work to decommission SONGS 1.

6 SCE's share of the cost of remaining work to decommission SONGS 1 is currently estimated to  
7 be \$145.8 million (2011 dollars). SCE's share of the cost to decommission SONGS 2&3 is currently  
8 estimated to be \$3,143.5 million (2011 dollars), and SCE's share of the cost to decommission Palo  
9 Verde is currently estimated to be \$513.5 million (2010 dollars).

10 SDG&E's share of the costs to decommissioning the SONGS units is derived from the SCE cost  
11 estimates at a twenty-percent (20%) ratable share, commensurate with SDG&E's ownership share of the  
12 SONGS units.

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<sup>2</sup> See Exhibit SCE-2, pp. 5-6.

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**II.**

**FINANCIAL ASSUMPTIONS AND RATE OF RETURN**

**A. Introduction**

To estimate the contributions needed to fully fund decommissioning of the SONGS 2&3 and Palo Verde nuclear units, annual escalation rates or annual escalation indexes are used to convert the decommissioning cost estimates in base year dollars to decommissioning cost estimates in future-year dollars. In this proceeding, the Utilities have calculated separate escalation rates for: (1) labor, (2) the combined category of material, equipment, and other, (3) energy, and (4) low level radioactive waste (LLRW) burial. These escalation rates are described in more detail below.

The Utilities based their projections for labor escalation, energy, and for material, equipment, and other escalation, upon projections provided by the IHS Global Insight economic forecasting service. IHS Global Insight is a reliable, independent, and accurate source for escalation and return forecasts. The Utilities subscribe to certain IHS Global Insight products and have used IHS Global Insight projections in numerous proceedings before the Commission. The particular IHS Global Insight projection used to develop this application was the third quarter 2012. The IHS Global Insight long term forecast spans the period from 2012 through 2042.

**1. Escalation**

a) Labor Escalation

To project labor escalation, the Utilities used the IHS Global Insight projection of the Employment Cost Index for total compensation, private sector.<sup>10</sup> One important feature of the Employment Cost Index for this application is that it covers both direct compensation (wages and salaries) and the cost of employee benefits provided by employers. Other potential labor escalation indexes, such as the Consumer Price Index, do not share this important attribute. (The Consumer Price Index measures escalation of goods and services that consumers purchase directly, not the escalation in their compensation or income.)

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<sup>10</sup> IHS Global Insight, Long Term Macro Forecast, 30 Year, Third Quarter 2012, variable JECIWSSP.

1                   b)       Material, Equipment, and Other Escalation

2                   To escalate costs from base-year dollars to future-year dollars for the categories of material,  
3 equipment, and other, the Utilities constructed an index that is a weighted average of Producer Price  
4 Indexes for fuels and related products and power (WPI05), metals and metal products (WPI10),  
5 construction machinery and equipment (WPU112), general purpose machinery and equipment  
6 (WPU114), and the chain-weighted price index for the Gross Domestic Product (GDP; the acronym for  
7 the associated price index is JPGDP). The Utilities directly used WPI05, WPI10, and JPGDP  
8 projections through 2042 by IHS Global Insight.<sup>11</sup> Global Insight produces a 10-year forecast for two  
9 variables, WPU112 and WPU114.<sup>12</sup> To estimate a 30-year projection for these two variables, the  
10 Utilities constructed an econometric forecasting model that related the historical changes in WPU112  
11 and WPU114 to JPGDP, the chain-weighted price index for the Gross Domestic Product. The Utilities  
12 then applied these historical relationships (WPU112 to JPGDP and WPU114 to JPGDP) to the IHS  
13 Global Insight projection of JPGDP to produce a projection of WPU112 and WPU114.

14                   c)       Energy Escalation

15                   To escalate costs from base-year dollars to future-year dollars for the energy category, the  
16 Utilities used the IHS Global Insight projection of the cost of retail industrial electricity in the Southern  
17 Pacific region of the United States.<sup>13</sup> This variable reflects a reliable estimate of the future cost of  
18 energy consumed on site during decommissioning.

19                   d)       Burial Escalation

20                   SCE has examined historical trends in burial cost escalation factors published by the Nuclear  
21 Regulatory Commission (NRC) to project LLRW burial cost escalation.<sup>14</sup> The NRC report is written to  
22 be an “appropriate source of information for obtaining ... waste burial/disposition costs”<sup>15</sup> for use by

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<sup>11</sup> IHS Global Insight, Long Term Macro Forecast, 30 Year, Third Quarter 2012, variables WPU05, WPU10, JPGDP.

<sup>12</sup> IHS Global Insight, Short Term Macro Forecast, Third Quarter 2012, variables WPU112, WPU112

<sup>13</sup> IHS Global Insight, U.S. Energy Outlook, Winter 2011 - 2012 , April 2012, Electricity Price Outlook by Sector, Pacific 2, CA and HI, Industrial

<sup>14</sup> Division of Policy and Rulemaking, Office of Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission, “Report on Waste Burial Charges/Changes in Decommissioning Waste Disposal Costs at Low-Level Waste Burial Facilities”, NUREG-1307, Revision 14, October 2010, plus older revisions.

<sup>15</sup> *Id.*, Foreword.

1 nuclear power reactor licensees in providing to the NRC “reasonable assurance ... that funds will be  
2 available for decommissioning.”<sup>16</sup> Various revisions of this report provide historical burial cost  
3 escalation factors from 1986 through 2010 for burial sites in the states of Nevada, South Carolina, and  
4 Washington.<sup>17</sup>

5 SCE used the burial cost escalation factors to statistically estimate the range of annual burial cost  
6 escalation rates that occurred over the period from 1986 to 2010 for the three burial sites. For the South  
7 Carolina and Washington sites, two rates were calculated: one for direct burial, and another for  
8 disposition of waste by vendors. The statistical model was an exponential growth model.

9 The analysis produced five estimated annual burial escalation rates, ranging from a low rate of  
10 0.2 percent to a high rate of 13.9 percent. The mean estimate was 7.3 percent and the median estimate  
11 was 8.4 percent. SCE proposes to use the mean estimate of 7.3 percent to estimate its future burial  
12 costs. Although SCE recognizes that none of the disposal sites referenced in the NRC reports are likely  
13 to be available when the SONGS 2&3 and Palo Verde units are assumed to be decommissioned, the  
14 escalation rates in the reports are the most representative of any burial escalation rate data available.  
15 SCE’s burial escalation rate should be adopted to estimate SCE’s LLRW burial costs.

## 16 **2. Rate of Return Estimates**

### 17 a) SCE

18 Each utility has established two master trusts: (1) one (Qualified Master Trust) that holds the  
19 decommissioning funds that result from contributions that qualify for an income tax deduction under  
20 Section 468A of the Internal Revenue Code, and (2) one (Nonqualified Master Trust) that holds the  
21 decommissioning funds that result from all other contributions (Nonqualified Trusts).<sup>18</sup> Each utility has  
22 established unit accounts within each master trust, to maintain separate trust accounts for each of the

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<sup>16</sup> 10 C.F.R. 50.75(a).

<sup>17</sup> NUREG-1307, Table 2.1.

<sup>18</sup> As discussed in Section I.J, the Energy Policy Act of 2005 included provisions that enable transfer of certain Nonqualified Trust assets to Qualified Trusts. The Nonqualified Master Trust may continue to be used for any asset not eligible for Qualified Trust treatment.

1 SONGS units.<sup>19</sup> SCE has established unit accounts within each master trust, to maintain separate trust  
2 accounts for each of the Palo Verde units.

3 (1) Qualified Trust

4 Prior to January 1, 1993, the Qualified Trust investments were subject to certain restrictions,  
5 known as “Black Lung” restrictions. In October 1992, the Energy Policy Act of 1992 eliminated these  
6 restrictions and lowered the tax rate on trust earnings from the maximum corporate rate (then 34%) to  
7 22% beginning in 1994, and to 20% beginning in 1996. Subsequent to the passage of the Energy Policy  
8 Act of 1992, Pacific Gas and Electric Company, SDG&E, and SCE all filed petitions for modification of  
9 D.87-05-062 in OII-86,<sup>20</sup> seeking relaxation of previous restrictions on the investments of the Qualified  
10 Trust.

11 In D.07-01-003, the Commission determined that up to 60% of the funds of a Qualified Trust  
12 may be invested in equities.<sup>21</sup> In D.95-07-055, the Commission determined that up to 20% of the funds  
13 of a Qualified Trust may be invested in international equities.<sup>22</sup> At least 50% of the equity portion of the  
14 funds of a Qualified Trust must be invested passively.<sup>23</sup> Up to 100% of the funds of a Qualified Trust  
15 may be invested in investment grade fixed-income securities.<sup>24</sup>

16 (2) Nonqualified Trust

17 D.95-07-055 also established investment restrictions for the Nonqualified Trust. These are  
18 identical to those of the Qualified Trust.<sup>25</sup>

19 (3) Forecasting Sources Related To Trust Returns

20 SCE based its projections of future trust returns upon projections provided by capital market  
21 sources and IHS Global Insight. For the equity return forecast, which is relevant through 2024, SCE

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<sup>19</sup> The Master Trust Agreement requires that trust investments for each trust be overseen by a five-member Committee. Two of members may be affiliated with the Utility. The other three cannot be affiliated with the utility. Their appointments are confirmed by the Commission.

<sup>20</sup> These petitions were filed on May 18, 1993 (PG&E), May 21, 1993 (SCE), and August 18, 1993 (SDG&E).

<sup>21</sup> D.07-01-003, Appendix B, Section 4.1.1.2.1.

<sup>22</sup> D.95-07-055, Findings of Fact 7 and 8.

<sup>23</sup> A passive investment strategy is one that seeks to match the return of a benchmark index, such as the Standard & Poor’s 500 index, by replicating the composition of the index. D.95-07-055, Findings of Fact 12 and 13.

<sup>24</sup> Investment grade securities are those rated BBB- or higher by Standard & Poor’s or equal to or higher than the equivalent rating by other rating agencies. D.95-07-055, Finding of Fact 9.

<sup>25</sup> D.95-07-055, Conclusion of Law 2.

1 used long term capital market asset class return assumptions from five financial institutions. For the  
2 fixed income return forecast, which is relevant through 2055, SCE used both long term capital market  
3 fixed income return projections and IHS Global Insight fixed income return projections.<sup>26</sup> The return  
4 projections are made on a pre-tax basis, and SCE adjusted them for applicable taxes.

5 (a) Equity Returns

6 SCE utilized projected 10-year to 30-year long term capital market return forecasts from various  
7 investment firms including Russell Investments, BlackRock, Aon Hewitt, Callan Associates, and JP  
8 Morgan. The equity return forecasts ranged from 7.30% (Russell Investments) to 8.78% (JP Morgan).  
9 The average investment firms' capital market pre tax return is 7.79% for equities.

10 (b) Fixed-Income Returns

11 For fixed income return projections, the time frame for the forecast is over 40 years. SCE chose  
12 to use long term capital market fixed income returns for the 10-year period 2013 -2022 and IHS Global  
13 Insight Long Term Macro forecasts for fixed income projections beyond 10-years.<sup>27</sup> For the first 10-  
14 years of the forecast, SCE utilized projected 10-year to30-year long term capital market fixed income  
15 returns from various investment firms including Russell Investments, BlackRock, Aon Hewitt, Callan  
16 Associates, and JP Morgan.<sup>28</sup> For 2023-2055, SCE used fixed income projections from IHS Global  
17 Insight.<sup>29</sup> SCE chose the forecasted yield on ten-year constant maturity U.S. Treasury bonds as the  
18 source for projected returns on fixed income securities beyond 10-years. The yield for ten-year Treasury  
19 bonds is calculated assuming a one-year holding period. Over the forecast period, the combined  
20 projected return on capital market fixed income and Global Insight's projection of ten-year Treasury  
21 bonds averages 4.27% per year.

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<sup>26</sup> IHS Global Insight Long Term Macro Forecast Quarter 3, 2012, September 2012.

<sup>27</sup> IHS Global Insight Long Term Macro Forecast Quarter 3, 2012, September 2012.

<sup>28</sup> The capital market fixed income return projection includes a 25 basis point performance hurdle.

<sup>29</sup> IHS Global Insight Long Term Macro Forecast, Quarter 3, 2012, September 2012, variable RMTCM10Y.

(4) Projected After-Tax Trust Fund Returns

Projected after-tax returns for the Qualified Trust and the Nonqualified Trust depend on: (1) the pre-tax returns discussed immediately above, (2) the tax rates applicable to the different financial instruments held by each trust, (3) trust management fees and (4) the projected investment strategy chosen by the Decommissioning Trust Investment Committee that each trust is projected to pursue within the restrictions set by the Commission. The tax rates and the trust investment strategies are summarized in the following table:

**Table II-3**  
***Tax Rates and Trust Investment Strategies***

Characteristic	Qualified Trust	Nonqualified Trust
Federal tax rate	20.00%	35.00%
State tax rate	8.84%	8.84%
Trust management fees (pre tax)	0.010% annually	0.010% annually
Equity portfolio turnover	24.67% annually	24.67% annually
Federal dividend exclusion	0%	70%
Equity investment percentage (before liquidation)	60%	60%
Equity investment liquidation	Beginning 1 year before unit shutdown	Beginning 1 year before unit shutdown
Fixed Income asset	10 Year Treasury Bonds	10 Year Treasury Bonds

Based on the tax rates and trust investment strategies shown in the table above, the following after-tax Trust fund returns were calculated in the table below:

**Table II-4**  
***After-Tax Trust Fund Returns Employed by SCE***

	Qualified Trust	Non Qualified Trust (SONGS 2 only)
SONGS 2 & 3 (2014 through 2020)	4.96%	4.48%
SONGS 2 & 3 (2021/2022/2023/2024)	4.64%/4.31%/3.99%/3.67%	4.13%/3.77%/3.42%/3.06%
SONGS 2 & 3 (2025 forward)	3.34%	2.71%

1                   b)     SDG&E

2                             (1)    Rate of Return

3                                     (a)   Qualified Trust

4   (i)    Equity Returns

5                   SDG&E calculated its 7.25 percent pre-tax equity return projection for the Qualified Trust on a  
6 composite weighting of expected 10-year equity returns from four financial institutions (Callan  
7 Associates, Mercer, Aon-Hewitt, and IHS-Global Insight). These returns were 7.75 percent, 7.50  
8 percent, 7.60 percent, and 3.90 percent, respectively. SDG&E applied a weighting of ten percent (10%)  
9 to the IHS-Global Insight return estimate and a thirty-percent (30%) weighting to the other three  
10 institutions. The IHS-Global Insight return received a lower weighting due to a difference in their  
11 market index (S&P500), which typically yields a slightly lower overall return than a broader market  
12 index, such as the MSCI 2500, which is the domestic equity benchmark for SDG&E's Qualified Trust.

13   (ii)   Fixed Income Returns

14                   SDG&E calculated its 4.25 percent pre-tax fixed-income return projection for the Qualified Trust  
15 based on a composite weighting of expected fixed income returns provided by the same four institutions  
16 used for SDG&E's equity return assumption, including Callan Associates, Mercer, Aon-Hewitt, and  
17 Global Insight. These institutions provided returns related to ten-year and twenty-year core fixed  
18 income, AAA corporate bonds, and Treasuries. SDG&E weighted the composition and duration of  
19 these indicies to most accurately reflect the proposed allocation of fixed income securities within the  
20 Qualified Trust. SDG&E is proposing to maintain a 100-percent (100%) allocation to core fixed income  
21 securities post-decommissioning beginning in 2024, as opposed to moving fifty percent (50%) of the  
22 Trust into short-term Treasuries or cash.<sup>30</sup> This strategy should allow the Trust to earn a moderately  
23 higher return while still remaining liquid enough to cover all necessary decommissioning costs. This  
24 should result in an overall benefit to ratepayers through lower required contributions.

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<sup>30</sup> The approved post-decommissioning allocation of fixed-income securities in the Qualified Trust from the 2009 NDCTP filing allowed for a fifty-percent (50%) allocation to cash for SDG&E.



1 (b) Nonqualified Trust

2 (i) Equity Returns

3 SDG&E assumes a zero-percent (0%) allocation to equities within the Nonqualified Trust and  
4 thus does not have an equity return assumption for the Nonqualified Trust. This is in line with  
5 SDG&E's current asset allocation.

6 (ii) Fixed Income Returns

7 For fixed income returns, SDG&E assumes a 100-percent (100%) allocation to investment grade  
8 municipal bonds. This is in line with SDG&E's current and authorized investment strategy and takes  
9 advantage of the tax benefits of municipal bonds within a taxable trust. SDG&E's proposed pre-tax  
10 return on municipal bonds is 3.4 percent, which is based on an eighty-percent (80%) weighting of its  
11 core pre-tax fixed-income return estimate.

12 (c) Projected After-Tax Returns

13 The equity and fixed-income return percentages noted in SDG&E's rate of return section above  
14 are shown on a pre-tax basis. SDG&E adjusts these returns for applicable taxes and management fees to  
15 arrive at an after-tax, post-fee return percentage. Under current tax rates, SDG&E's Qualified Trust is  
16 subject to a twenty-percent (20%) federal tax rate and an 8.84-percent California state tax rate. In  
17 addition, SDG&E estimates a 0.15 percent allowance for investment management fees. The Qualified  
18 Trust is expected to earn 4.65 percent after taxes and fees prior to the equity wind-down, and 3.05  
19 percent from 2024 onward. The Nonqualified Trust is expected to earn a 2.23 percent rate of return after  
20 taxes and fees.

21 (2) Portfolio Management and Asset Allocations

22 In regard to portfolio management, SDG&E applies a relatively low portfolio turnover rate of  
23 twenty percent (20%) per annum, which allows for a greater compound growth rate and greater returns  
24 since taxation of gains is deferred.

25 With respect to managing the assets within both the Qualified and Nonqualified Trusts, SDG&E  
26 aims to minimize financial risk while still maintaining exposure to assets that garner strong returns. In  
27 this light, SDG&E is proposing a more gradual timeline for divesting of equity securities. For the scale-

1 down of the Qualified Trust equity portfolio from a sixty-percent (60%) equity allocation to a zero-  
2 percent (0%) equity allocation, SDG&E proposes a scale-down over the seven-year period beginning in  
3 2017 and ending in 2023. A seven-year scale-down provides the Qualified Trust with a slightly longer  
4 exposure to equities while also providing managers with a longer horizon to divest equities at more  
5 opportune times. Modeling the scale-down in such a manner positively impacts returns over the life of  
6 the trusts and helps to reduce ratepayer contributions in both the near-term and over the remaining life of  
7 the SONGS units.

8 (3) General Concerns

9 SDG&E has used best efforts to estimate the future returns of the Trusts based on the current  
10 known economic environment and return forecasts from trusted financial institutions. While future  
11 uncertainty is always present, the current economic environment contains several unknowns that have  
12 the potential to significantly change the equity and fixed income returns garnered by the Trusts. One  
13 major concern is a potential change in the federal capital gains tax rate. Another concern relates to the  
14 impact the Federal Reserve has on interest rates as it continues to move the market through the financial  
15 tools at its disposal. SDG&E requests that the Commission consider these uncertainties when evaluating  
16 the expected rates of return, and err on the side of caution and conservatism.

1 III.

2 **CALCULATING DECOMMISSIONING CONTRIBUTIONS**

3 **A. Method for Calculating Decommissioning Contributions**

4 **1. Annual Contribution Amount**

5 There are four key elements used in determining the annual contribution amount: (1) trust fund  
6 balance liquidation value, (2) current-dollar decommissioning cost studies, (3) escalation, and (4) after-  
7 tax rates of return. To determine the necessary contribution levels, annual escalation rates convert the  
8 decommissioning cost estimates from current dollars<sup>31</sup> to the dollars of the year when they will be  
9 actually incurred, and the future cost estimates will be treated as withdrawals from the trust fund  
10 balances. The estimated rate of return is used to calculate an expected growth in the decommissioning  
11 trust fund balances. The escalation rates and rate of return assumptions are discussed in Chapter II of  
12 this Volume.

13 **B. Recommended Contributions Levels Commencing January 1, 2014**

14 **1. SCE**

15 The updated contributions analysis is based upon the updated cost studies described in Exhibit  
16 No. SCE-2, the trust fund balances as of September 30, 2012, and the estimated escalation rates and  
17 after-tax rates of return established in Chapter II.

18 Based on these parameters, the analysis shows that, SONGS 2 and 3 require an increase from the  
19 contributions that were authorized in the 2009 NDCTP in order to meet the future liabilities. This  
20 increase is primarily due to the actual trust fund performance, changes in estimated escalation rates, and  
21 after-tax rates of return from those authorized in the 2009 NDCTP, as described in Chapter II. However,  
22 given the updated Palo Verde 1-3 decommissioning cost studies, the expected cost escalation rates and  
23 after-tax rates of return, the of September 30, 2012 trust fund balances for Palo Verde 1-3 will be  
24 sufficient for the estimated future cost requirements without any additional contributions. The total  
25 annual decommissioning fund contribution requirement for SONGS 2 & 3 units is \$40.982 million (SCE

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<sup>31</sup> See Exhibit No. SCE-2, pp. 7. The engineering cost studies provide the cost estimates in 2011 dollars for SONGS 2 & 3.

1 share), including Qualified Trust Funds for SONGS 2 & 3. Table III-4 below provides this estimate and  
2 the associated variables. Table III-5 below shows the estimated contributions and revenue requirements  
3 for each unit starting from January 1, 2014.

**Table III-5**  
**Proposed Nuclear Decommissioning Recovery SONGS 2&3 (SCE Share)**  
**(Nominal \$000, Unless otherwise stated)**

Description	2009 NDCTP Authorized (as of 10/31/09 Liquidation Values))	2014 NDCTP Estimated (as of 9/30/12 Liquidation Values)
Estimated Costs (SCE share)	2,861,542 (2008\$Dollars)	3,143,534 (2011\$ Dollars)
Fund Liquidation Value	2,055,221	2,607,921
Annual Contribution	22,726	40,982
Annual Revenue Requirement	22,995	41,443
<u>Assumptions:</u>		
After-Tax Rate of Return:		
Qualified	4.28% - 6.22%	3.42% - 6.36%
Nonqualified	4.28% - 5.58%	2.78% - 5.99%
Cost Escalation Rate	Varies	Varies

**Table III-6**  
**Proposed Nuclear Decommissioning Contribution**  
**Amounts by Unit (SCE Share, Including the Acquisition of Anaheim Share)**  
**(Nominal \$000)**

	SONGS 2		SONGS 3		Total
	Qualified	Nonqual	Qualified	Nonqual	
<b>Authorized</b>					
<b>Edison's Authorized Contribution Amount</b>	17,593	-	5,133	-	22,726
<b>Edison's Authorized Revenue Requirement</b>	17,801	-	5,194	-	22,995
<b>Proposed</b>					
<b>Edison's Updated Contribution Amount</b>	21,974	-	19,008	-	40,982
<b>Edison's Updated Revenue Requirement</b>	22,221	-	19,221	-	41,443

**C. SONGS License Extension**

In D.10-07-047, the Commission directed the utilities to perform studies on contribution requirements under a license renewal scenario.<sup>32</sup>

<sup>32</sup> D.10-07-047, page 58, item 22.

1 As of the time of this filing, San Onofre Nuclear Generation Station has not received approval  
2 for license extension. Palo Verde Nuclear Generating Station has already received license extension for  
3 Units 1, 2 and 3. Based upon the updated Palo Verde decommissioning cost studies, the expected cost  
4 escalation rates and after-tax rates of return, the of September 30, 2012 trust fund balances for Palo  
5 Verde 1-3 will be sufficient for the estimated future cost requirements without any additional  
6 contributions. Therefore, this contribution estimate will reflect license renewal changes for SONGS  
7 Units only.

8 The SONGS license extension contributions analysis is based upon the license extension cost  
9 studies described in Exhibit No. SCE-2, the trust fund balances as of September 30, 2012, and the  
10 estimated escalation rates established in Chapter II. The after tax rates of return for equities change as  
11 the retirement of the units is delayed 20 years. The extended license period allows for the use of equities  
12 over a 30-year period and the after tax rates of return reflect a forecast of equity returns spanning 30  
13 years.

14 Based on these parameters, the analysis shows that, SONGS 1, 2, and 3 require an increase from  
15 the contributions that were authorized in the 2009 NDCTP in order to meet the future liabilities. This  
16 increase is primarily due to the actual trust fund performance, changes in estimated escalation rates,  
17 changes in the year the work activities are performed, and after-tax rates of return from those authorized  
18 in the 2009 NDCTP, as described in Chapter II and above. The total annual decommissioning fund  
19 contribution requirement for SONGS 1, 2 & 3 units is \$32.95 million (SCE share), including Qualified  
20 Trust Funds for SONGS 1, 2 & 3. Table III-6 below provides this estimate and the associated variables.  
21 Table III-7 below shows the estimated contributions and revenue requirements for each unit starting  
22 from January 1, 2014.

**Table III-7**  
**License Renewal Scenario - Proposed Nuclear Decommissioning Recovery SONGS 1, 2&3 (SCE Share)**  
*(Nominal \$000, Unless otherwise stated)*

Description	2014 NDCTP Estimated (as of 9/30/12 Liquidation Values)
Estimated Costs (SCE share)	3,134,778
Fund Liquidation Value	2,833,319
Annual Contribution	32,950
Annual Revenue Requirement	33,320
<u>Assumptions:</u>	
After-Tax Rate of Return:	
Qualified	3.42%-5.76%
Nonqualified	2.78% - 5.11%
Cost Escalation Rate	varies

**Table III-8**  
**License renewal Scenario - Proposed Nuclear Decommissioning Contribution Amounts by Unit (SCE Share)**  
*(Nominal \$000)*

	SONGS 1	SONGS 2		SONGS 3		Total
	Qualified	Qualified	Nonqual	Qualified	Nonqual	
<b>Authorized</b>						
Edison's Authorized Contribution Amount		17,593	-	5,133	-	22,726
Edison's Authorized Revenue Requirement		17,801	-	5,194	-	22,995
<b>Proposed</b>						
Edison's Updated Contribution Amount	4,117	13,631	-	15,202	-	32,950
Edison's Updated Revenue Requirement	4,163	13,784	-	15,373	-	33,320

1 IV.

2 **TAX TREATMENT OF TRUSTS**

3 **A. General Tax Rules**

4 SCE and SDG&E maintain Qualified Trusts and Nonqualified Trusts to fund their future nuclear  
5 decommissioning obligations. A Qualified Trust is a trust that meets the requirements of Internal  
6 Revenue Code Section (IRC Sec.) 468A. A Nonqualified Trust holds any portion of nuclear  
7 decommissioning funds that did not meet the requirements of IRC Sec. 468A, prior to amendments  
8 made by the Energy Policy Act of 2005. The nonqualified portion typically represented the portion of  
9 the decommissioning obligation associated with a nuclear power plant that commenced commercial  
10 operations prior to the enactment of IRC Sec. 468A in 1984. A Qualified Trust has key tax advantages  
11 over a Nonqualified Trust, including the ability of (1) the utility to take a current tax deduction upon  
12 making a contribution to the Qualified Trust and (2) the Qualified Trust pays tax at a preferential rate of  
13 20% compared to the regular federal corporate rate of 35%.

14 **B. California Conformity with the Federal Energy Policy Act of 2005**

15 The Energy Policy Act of 2005 (2005 EPA) amended IRC Sec. 468A to, among other things,  
16 allow funds from nonqualified trusts to be poured-over into qualified trusts and deducted for tax  
17 purposes. Beginning January 1, 2010, the California tax code conformed to federal amendments made  
18 to IRC §468A by 2005 EPA. In Application 09-04-009, the Commission Division of Ratepayer  
19 Advocates recommended that SDG&E and SCE transfer funds from their Non-qualified trusts to their  
20 qualifying trusts. In D. 10-07-047, the Commission stated in its Findings of Fact that the transfer of  
21 funds from non-qualified trust to qualified trusts “should not be required at the present time because of  
22 several uncertainties about . . . actual tax consequences of such transfers.” Subsequent to the California  
23 conformity, SCE and SDG&E filed separate advice letters with the Commission requesting permission  
24 to amend their Qualified Trust agreements to allow a pour-over of funds from the Nonqualified Trusts to  
25 the Qualified Trusts. The Commission granted the requests and SCE and SDG&E have since transferred  
26 funds from their Non-qualified trusts to their Qualified trusts.



1           **1.     SCE**

2           SCE proposes to place the tax benefits resulting from the tax deductions associated with the  
3 pour-over of funds from the nonqualified trusts to the qualified trusts into the related nonqualified trusts  
4 and held there consistent with Decision 07-01-003 that approved the terms of settlement, including  
5 Settlement Section 4.1.1.2.6 stating that “SCE and SDG&E should be authorized to continue to use the  
6 tax benefits associated with deducting SONGS 1 Nonqualified Trust amounts consistent with Ordering  
7 Paragraph No. 9 of D. 03-10-015, including the tax benefits that may arise in connection with any  
8 transfer of funds from SCE’s/SDG&E’s SONGS 1 Nonqualified Trusts to SCE’s/SDG&E’s SONGS 1  
9 Qualified Trusts as provided for in the Internal Revenue Code Section 468A(f).” Also consistent with  
10 prior decisions to keep and utilize tax benefits, SCE has used these tax benefits to fund its  
11 decommissioning liabilities.

12           **2.     SDG&E**

13           SDG&E proposes to place the tax benefits resulting from the tax deductions associated with the  
14 pour-over of funds from the nonqualified trusts to the qualified trusts into the unit-related qualified trust  
15 accounts. Consistent with this proposal, SDG&E will seek an updated Schedule of Ruling Amounts  
16 from the IRS to in order to complete this transfer. In determining the level of annual contributions  
17 SDG&E proposes for the SONGS Unit 2 and 3 trust accounts, SDG&E assumed it would receive IRS  
18 approvals of the Schedule of Ruling Amounts in 2013.

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V.

**RATEMAKING**

**A. SCE**

**1. SCE's Nuclear Decommissioning Adjustment Mechanism (NDAM)**

This testimony describes the recovery of the authorized SONGS 2&3 and Palo Verde Nuclear Decommissioning Trust Fund Revenue Requirement. SCE's current rate structure is comprised of the following seven major rate components:

- (1) Distribution;
- (2) Transmission (includes all FERC-jurisdictional cost and revenue components);
- (3) SCE Generation;
- (4) New System Generation Charge;
- (5) Nuclear Decommissioning;
- (6) Public Purpose Programs; and,
- (7) Department of Water Resources (DWR) Bond Charge and DWR Energy Credit.

The Nuclear Decommissioning rate is set to recover costs of: (1) authorized SONGS 2&3 and Palo Verde Nuclear Decommissioning Trust Fund Revenue Requirement; and (2) authorized spent nuclear fuel storage fees. To ensure that all customers that have received the benefits of SONGS 2&3 and Palo Verde operations are equitably burdened with the costs to decommission those facilities, SCE is requesting to update its SONGS 2&3 and Palo Verde Nuclear Decommissioning Trust Fund Revenue Requirement, commencing January 1, 2014, to \$41.44 million, an increase of \$18.450 million. The annual Energy Resource Recovery Account (ERRA) review proceeding considers the ongoing cost recovery of spent nuclear fuel storage fees.

The Commission established the NDAM<sup>33</sup> in D.99-10-057 to ensure that SCE recovers no more and no less than its authorized Nuclear Decommissioning Trust Revenue Requirement and to track actual costs for Department of Energy (DOE) Decontamination and Decommissioning (D&D) fees and

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<sup>33</sup> The NDAM compares NDAM revenue and the authorized Nuclear Decommissioning Trust and actual DOE fees and spent fuel costs.

1 spent fuel.<sup>34</sup> SCE will update its Nuclear Decommissioning Trust Revenue Requirement in the NDAM  
2 on January 1, 2014 to reflect the Commission-adopted revenue requirement in this proceeding. In its  
3 annual ERRA August proceeding, SCE will forecast the December 31 balance to be recovered in the  
4 NDAM, either overcollected or undercollected, plus an amount for Franchise Fees and Uncollectibles  
5 (FF&U). The NDAM over/under collection will either be returned to, or recovered from, SCE's retail  
6 electric customers in Nuclear Decommissioning rate levels.<sup>35</sup> After a Commission decision is issued in  
7 this proceeding, SCE will include the Nuclear Decommissioning Trust Fund Revenue Requirement  
8 change in rate levels in the 2014 ERRA forecast rate consolidation.

9 **B. SDG&E**

10 **1. SDG&E's Nuclear Decommissioning Adjustment Mechanism (NDAM)**

11 In May 2012, SDG&E recorded the amount of \$15.3 million in its NDAM to reflect the receipt  
12 of funds from SCE representing SDG&E's ratable share of an award of civil damages related to the  
13 failure of the United States Department of Energy to begin accepting spent nuclear fuel from SONGS  
14 Units 1, 2 and 3.<sup>36</sup> In the interest of returning these funds to ratepayers in an expedited manner, SDG&E  
15 included the 2012 year-end forecasted overcollected balance of \$16.1 million, which includes the  
16 abovementioned civil award, in its Annual Regulatory Account Update.<sup>37</sup> Upon Commission approval,  
17 the \$16.1 million balance will be amortized in rates over a twelve-month period effective January 1,  
18 2013. SDG&E forecasts its NDAM balancing account to be undercollected in the amount of \$0.2  
19 million as of December 31, 2013. SDG&E proposes to amortize this undercollection by including in the  
20 proposed revenue requirement for 2014.

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<sup>34</sup> SCE is no longer incurring DOE D&D fees.

<sup>35</sup> In addition, SCE sets forth the operation of the NDAM for Commission review for each calendar year in the ERRA review proceedings submitted to the Commission on April 1<sup>st</sup> of each year.

<sup>36</sup> The total reimbursement to SDG&E was \$28.5 million. Amounts other than the \$15.3million allocated to the NDAM were credited to Unit 1 offsite fuel storage and other capital cost reimbursements as appropriate.

<sup>37</sup> Advice Letter 2412-E filed October 31, 2012, still pending Commission approval.

1           **2.     SDG&E Ratemaking and Cost Recovery**

2           This testimony describes the recovery of the authorized SONGS Units 2 and 3 Nuclear  
3 Decommissioning Trust Fund Revenue Requirement. SDG&E’s current rate structure is comprised of  
4 the following ten major rate components:

- 5           (1) Distribution;
- 6           (2) Transmission (includes all FERC-jurisdictional cost and revenue components associated  
7           with BTRR, TACBAA, TRBAA);
- 8           (3) Public Purpose Programs;
- 9           (4) Nuclear Decommissioning;
- 10          (6) On-Going Competition Transition Charge;
- 11          (7) Reliability Services (FERC jurisdictional);
- 12          (8) Electric Energy Commodity Costs (includes all commodity related costs, specifically ERRA,  
13          NGBA and Department of Water Resources (DWR) Power Charge);
- 14          (9) DWR Bond Charge; and
- 15          (10) Total Rate Adjustment Component (TRAC).

16          The Nuclear Decommissioning (ND) rate is set to recover costs for: (1) authorized SONGS Units  
17 2 and 3 Nuclear Decommissioning Trust Fund Revenue Requirements; and (2) authorized spent nuclear  
18 fuel storage fees.

19          To ensure that all customers who have received the benefits of SONGS Units 2 and 3 operations  
20 are equitably burdened with the costs to decommission those facilities, SDG&E is requesting to update  
21 its SONGS Units 2 and 3 Nuclear Decommissioning Trust Fund Revenue Requirement, commencing  
22 January 1, 2014, to \$16.43 million.<sup>38</sup> This represents an increase in the level of annual contributions of  
23 \$8.36 million, or 101 percent, from the annual contribution last approved by the Commission.

24          SDG&E is also currently authorized, through its 2008 General Rate Case (GRC) proceeding,<sup>39</sup> to  
25 recover \$1.0 million for spent nuclear fuel storage fees through the ND rate. SONGS spent fuel storage

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<sup>38</sup> Revenue requirement amounts include franchise fees and uncollectibles (FF&U).

<sup>39</sup> D.08-07-046.

1 fee costs and the cost recovery are authorized in SDG&E's GRC proceeding. Therefore, SDG&E  
2 requested a revenue requirement change in its 2012 GRC proceeding<sup>40</sup> and is not proposing a change in  
3 this application.

4 For ratemaking purposes in this application, SDG&E's total annual ND revenue requirement of  
5 \$17.4 million includes the proposed \$16.4 million for the Trust Funds and the currently authorized \$1.0  
6 million for spent fuel storage fees. Based upon SDG&E's authorized forecast of electric sales, this  
7 would result in an ND rate of 0.083 cents per kilowatt-hour commencing on January 1, 2014, an increase  
8 of ninety-one percent (91%), or \$8.4 million per annum from current rates.

9 If SDG&E's proposal, as described in Ms. Jenison's witness testimony, to amortize the NDAM  
10 undercollection of \$0.2 million in customer rates beginning January 1, 2014, for a twelve-month period  
11 is authorized, the result is a slight ND rate change of 0.001 cents per kWh, or 2.2 percent. The proposed  
12 ND rate change for the amortization of this undercollection is incremental to the proposed ND rate  
13 change related to the nuclear decommissioning revenue requirement change. If the request in this  
14 proceeding for the amortization of the forecasted 2013 NDAM undercollection is approved, for 2014  
15 rates, the total proposed ND rate would be 0.084 cents per kWh, an increase of ninety-three percent  
16 (93%) from current rates.

17 SDG&E's proposed revenue requirements and the associated ND rates are summarized in the  
18 table below.

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<sup>40</sup> Application (A).10-12-005.

**Table V-9**  
**SDG&E's Proposed Revenue Requirement**  
**and Nuclear Decommissioning Rates**

ND Component	2014 (With Amortization)			After 2014 (Without Amortization)		
	Current Revenue Requirement with FF&U	Updated Revenue Requirement with FF&U	Increase in Revenue Requirement with FF&U	Current Revenue Requirement with FF&U	Updated Revenue Requirement with FF&U	Increase in Revenue Requirement with FF&U
	(\$ in millions)					
Trust Contributions (SONGS Units 2 and 3)	\$8.165	\$16.431	\$8.266	\$8.165	\$16.431	\$8.266
Spent Nuclear Fuel Fees	\$0.959	\$0.959	\$0.000	\$0.959	\$0.959	\$0.000
NDAM Amortization	\$0.000	\$0.202	\$0.202	\$0.000	\$0.000	\$0.000
Total Revenue Requirement	\$9.124	\$17.592	\$8.468	\$9.124	\$17.390	\$8.266
ND Rate (¢/KWhr)	0.044	0.084	0.041	0.044	0.083	0.040

**Appendix A**

**Witness Qualifications**

**SOUTHERN CALIFORNIA EDISON COMPANY**  
**QUALIFICATIONS AND PREPARED TESTIMONY**  
**OF TODD CAMERON**

1  
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3  
4 Q. Please state your name and business address for the record.

5 A. My name is Todd Cameron, and my business address is 2244 Walnut Grove Avenue, Rosemead,  
6 California 91770.

7 Q. Briefly describe your present responsibilities at the Southern California Edison Company.

8 A. I serve as a Project Manager for the Treasurers department focusing on escalation and economic  
9 services. My present responsibilities include applying economic and financial analysis to regulatory  
10 issues and for internal corporate purposes.

11 Q. Briefly describe your educational and professional background.

12 A. I received a Bachelor's degree in Economics from San Diego State University and a Master's degree  
13 in Economics from California State University at Fullerton. Prior to joining SCE I was an  
14 Econometrician for Xactware Software (1992 – 1996) and an Economist for the Regional Economic  
15 Studies Institute (1996 – 1998). In 1998 I joined SCE as a Project Manager focusing on electric  
16 market deregulation. At SCE, I have served as a Project Manager in various departments including  
17 CSBU, HR, TDBU, Controllers, and Treasurers.

18 Q. What is the purpose of your testimony in this proceeding?

19 A. The purpose of my testimony in this proceeding is to sponsor those portions of the testimony in  
20 Exhibit Utilities-3.

21 Q. Was this material prepared by you or under your supervision?

22 A. Yes, it was.

23 Q. Insofar as this material is factual in nature, do you believe it to be correct?

24 A. Yes, I do.

25 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?

26 A. Yes, it does.

27 Q. Does this conclude your qualifications and prepared testimony?



1

A. Yes, it does.

**SOUTHERN CALIFORNIA EDISON COMPANY**  
**QUALIFICATIONS AND PREPARED TESTIMONY**  
**OF KATHRYN E. ENRIGHT**

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4 Q. Please state your name and business address for the record.

5 A. My name is Kathryn E. Enright, and my business address is 2244 Walnut Grove Avenue, Rosemead,  
6 CA 91770.

7 Q. Briefly describe your present responsibilities at the Southern California Edison Company.

8 A. I am a manager in the Tax Department. My primary responsibilities include tax research and  
9 planning, and tax-related matters before regulatory commissions.

10 Q. Briefly describe your educational and professional background.

11 A. I hold a Bachelor of Arts degree in Business, with an emphasis in Management from California State  
12 University, Fullerton, a Juris Doctor degree (cum laude designation) from Southwestern School of  
13 Law, Los Angeles and a Masters of Laws degree in Taxation from Loyola Law School, Los Angeles.  
14 I have been employed by Southern California Edison for 11 years. Prior to joining Southern  
15 California Edison, I worked in the tax group for a public accounting firm.

16 Q. What is the purpose of your testimony in this proceeding?

17 A. The purpose of my testimony in this proceeding is to sponsor portions of the Exhibit Utilities-3 as  
18 identified in the Table of Contents.

19 Q. Was this material prepared by you or under your supervision?

20 A. Yes, it was.

21 Q. Insofar as this material is factual in nature, do you believe it to be correct?

22 A. Yes, I do.

23 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?

24 A. Yes, it does.

25 Q. Does this conclude your qualifications and prepared testimony?

26 A. Yes, it does.

**SOUTHERN CALIFORNIA EDISON COMPANY**  
**QUALIFICATIONS AND PREPARED TESTIMONY**  
**OF GREGORY HENRY**

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4 Q. Please state your name and business address for the record.

5 A. My name is Gregory Henry, and my business address is 2244 Walnut Grove Avenue, Rosemead,  
6 California 91770.

7 Q. Briefly describe your present responsibilities at the Southern California Edison Company.

8 A. I am the Manager of Investments in the Treasurer's Department. I am responsible for  
9 managing the trust investment programs for Edison's pension fund, PBOP trusts,  
10 nuclear decommissioning trusts, and investment funds for the 401k plan. In this  
11 capacity, I work to establish strategic trust investment strategies, select and monitor  
12 investment managers, investment funds and other service providers. I am also  
13 responsible for trust fund administration related to contributions, withdrawals and  
14 investment activity for the pension fund, PBOP trusts and nuclear decommissioning  
15 trusts.

16 Q. Briefly describe your educational and professional background.

17 A. I received a Bachelor's degree in Economics and Accounting from the University of the West Indies  
18 in 1987; a Master of Business Administration (Finance) from California State University, San  
19 Bernardino in 1997 and I am a CFA charter holder.

20 I joined the Southern California Edison Company as a Financial Analyst in the Planning and  
21 Analysis group of the Treasurer's Department in 1998 and transferred to the Investments Division in  
22 2000.

23 Q. What is the purpose of your testimony in this proceeding?

24 A. The purpose of my testimony in this proceeding is to sponsor a portion of Exhibit Utilities-3, as  
25 identified in the Table of Contents thereto.

26 Q. Was this material prepared by you or under your supervision?

27 A. Yes, it was.

1 Q. Insofar as this material is factual in nature, do you believe it to be correct?

2 A. Yes, I do.

3 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?

4 A. Yes, it does.

5 Q. Does this conclude your qualifications and prepared testimony?

6 A. Yes, it does.

**SOUTHERN CALIFORNIA EDISON COMPANY**  
**QUALIFICATIONS AND PREPARED TESTIMONY**  
**OF PAUL T. HUNT, JR.**

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4 Q. Please state your name and business address for the record.

5 A. My name is Paul T. Hunt, Jr., and my business address is 2244 Walnut Grove Avenue, Rosemead,  
6 California 91770.

7 Q. Briefly describe your present responsibilities at the Southern California Edison Company.

8 A. I am the Director of Regulatory Finance and Economics, supervising the Regulatory Finance  
9 Division of the Treasurer's Department. My present responsibility is to apply economic, financial,  
10 and statistical analysis to regulatory issues and for internal corporate purposes.

11 Q. Briefly describe your educational and professional background.

12 A. I received a Bachelor of Arts degree in Economics from Pomona College in 1975, a Master of Arts  
13 degree in Economics from Stanford University in 1976, and a Doctor of Philosophy degree from  
14 Stanford University in 1981. I joined the Southern California Edison Company as an Associate  
15 Economist in the Treasurer's Department in July 1980. I was promoted to Economist in 1982 and  
16 Senior Economist in 1984. In 1989, I transferred to the Regulatory Policy and Affairs Department as  
17 a Regulatory Economics Consultant. I returned to the Treasurer's Department in 1996 as a Senior  
18 Economist. In 1997, I was promoted to Project Manager. In 2000, I was promoted to Manager of  
19 Regulatory Finance and Economics. I was promoted to my present position in 2010.

20 I have testified before the California Public Utilities Commission and the Federal Energy  
21 Regulatory Commission.

22 In late 2009, I was invited to write, with a co-author, a book chapter on cost of capital in  
23 regulated industries. The book chapter is titled "Cost of Capital in Regulated Industries," and it  
24 appears in *Cost of Capital in Litigation: Applications and Examples*, published by John Wiley &  
25 Sons, Inc., in November 2010. (ISBN: 978-0-470-88094-4.)

26 Q. What is the purpose of your testimony in this proceeding?

1 A. The purpose of my testimony in this proceeding is to sponsor portions of Exhibit Utilities-3, as  
2 identified in the Table of Contents thereto.

3 Q. Was this material prepared by you or under your supervision?

4 A. Yes, it was.

5 Q. Insofar as this material is factual in nature, do you believe it to be correct?

6 A. Yes, I do.

7 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?

8 A. Yes, it does.

9 Q. Does this conclude your qualifications and prepared testimony?

10 A. Yes, it does.

**SOUTHERN CALIFORNIA EDISON COMPANY**  
**QUALIFICATIONS AND PREPARED TESTIMONY**  
**OF MICHAEL J. PARISE**

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4 Q. Please state your name and business address for the record.

5 A. My name is Michael J. Parise, and my business address is 2244 Walnut Grove Avenue, Rosemead,  
6 California 91770.

7 Q. Briefly describe your present responsibilities at the Southern California Edison Company.

8 A. I am a Financial Analyst in the Revenue Requirements and Forecast Division of External Relations –  
9 Regulatory Operations. My present responsibilities include developing, implementing and  
10 supporting SCE’s revenue requirements and ratemaking, with emphasis in General Rate Case Phase  
11 1 proceedings.

12 Q. Briefly describe your educational and professional background.

13 A. I am a graduate of Monmouth University, where I received a Bachelor of Science degree in Business  
14 Administration with an Accounting concentration. I have been employed by Southern California  
15 Edison Company since 1997. I began my career at SCE as a Business Analyst in Customer Service  
16 with responsibility for internal controls covering administration of various California Public Utilities  
17 Commission (CPUC) mandated Demand Side Management and Public Goods Charge programs. I  
18 joined External Relations – Regulatory Operations in a Financial Analyst role in 1999. I have been  
19 responsible for Federal Energy Regulatory Commission (FERC) Tariffs and Compliance functions  
20 and CPUC Revenue Requirements and Forecasting. I have previously testified before the CPUC.

21 Q. What is the purpose of your testimony in this proceeding?

22 A. The purpose of my testimony in this proceeding is to sponsor the portions of Exhibit Utilities-3, as  
23 identified in the Table of Contents thereto.

24 Q. Was this material prepared by you or under your supervision?

25 A. Yes, it was.

26 Q. Insofar as this material is factual in nature, do you believe it to be correct?

27 A. Yes, I do.

1 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?

2 A. Yes, it does.

3 Q. Does this conclude your qualifications and prepared testimony?

4 A. Yes, it does.





1  
2 **STATEMENT OF QUALIFICATIONS FOR SAN DIEGO GAS & ELECTRIC COMPANY**  
3 **FOR AMANDA JENISON**

4 Q1. State your name and business address for the record.

5 A1. Amanda Diane Jenison, 8330 Century Park Court, San Diego, CA 92123.

6 Q2. By whom and in what capacity are you currently employed?

7 A2. I am a Senior Regulatory Accounts Advisor in the Financial Analysis Organization of SDG&E.

8 Q3. Please describe the general duties and responsibilities of your current position.

9 A3. My current responsibilities include the development, implementation and analysis of regulatory  
10 balancing and memorandum accounts.

11 Q4. Please provide a summary of your educational and professional background.

12 A4. I received a Bachelor of Science degree in Business Administration with Distinction in Accounting  
13 from San Diego State University in 2000. I am a Certified Public Accountant and Certified Internal  
14 Auditor.

15 Q5. Have you previously testified as an expert witness before the California Public Utilities  
16 Commission?

17 A5. Yes, I have.

18 Q6. What is the scope and purpose of your testimony in this proceeding?

19 A6. I am sponsoring those portions of Exhibit Utilities-3 regarding the manner in which the revenue  
20 requirement proposed for SDG&E's NDAM, commencing January 1, 2014, were determined.

21 Q7. Do you adopt those portions of Exhibit Utilities-3 you are sponsoring as your sworn testimony in  
22 this proceeding?

23 A7. Yes, I do.



1 A6. I am sponsoring those portions of Exhibit Utilities-3 regarding ratemaking and cost recovery of  
2 SDG&E's proposed NDAM revenue requirement.  
3 Q7. Do you adopt those portions of Exhibit Utilities-3 you are sponsoring as your sworn testimony in  
4 this proceeding?  
5 A7. Yes, I do.

6



1 Q7. Do you adopt those portions of Exhibit Utilities-3 you are sponsoring as your sworn testimony in  
2 this proceeding?

3 A7. Yes, I do.

**STATEMENT OF QUALIFICATIONS FOR SAN DIEGO GAS & ELECTRIC COMPANY  
FOR RANDALL G. ROSE**

- 1 Q1. State your name and business address for the record.
- 2 A1. My name is Randall G. Rose, 101 Ash Street, San Diego, California.
- 3 Q2. By whom and in what capacity are you currently employed?
- 4 A2. I am employed by Sempra Energy as a Senior Tax Director.
- 5 Q3. Please describe the general duties and responsibilities of your current position.
- 6 A3. I am responsible for all domestic federal and state income taxes for the Sempra Energy  
7 companies. I am responsible for supervising the preparation of all federal and state income tax  
8 returns and the accounting for income taxes. In addition, I am responsible for ratemaking tax  
9 calculations for the regulated utilities.
- 10 Q4. Please provide a summary of your educational and professional background.
- 11 A4. I received a Bachelor of Science Degree from San Diego State University in Business  
12 Administration with an emphasis in Accounting. I am a Certified Public Accountant licensed by  
13 the State of California.
- 14 Prior to being employed by Sempra Energy, I was employed by SDG&E as Property Tax  
15 Administrator. In that position I had responsibility for all transactional-based taxes (ad valorem,  
16 sales and use, and excise taxes). Before joining SDG&E, I was employed by the State of  
17 California as a Senior Tax Advisor to one of the elected members of the California State Board  
18 of Equalization and a member of the Franchise Tax Board. In that function, I advised the Board  
19 Member on tax appeals cases related to state income taxes, sales and use taxes, and utility ad  
20 valorem tax assessments that came before the Board of Equalization for a decision.
- 21 Q5. Have you previously testified as an expert witness before the California Public Utilities  
22 Commission?
- 23 A5. Yes.
- 24 Q6. What is the scope and purpose of your testimony in this proceeding?

1 A6. On behalf of SDG&E, I am sponsoring those portions of Exhibit Utilities-3 regarding the income  
2 tax treatment of nuclear decommissioning trusts.

3 Q7. Do you adopt those portions of Exhibit Utilities-3 you are sponsoring as your sworn testimony in  
4 this proceeding?

5 A7. Yes.



## CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of the documents stated below, on all parties identified on the attached service list(s) **A.09-04-007, A.09-04-009**. Service was effected by one or more means indicated below:

- **SCE-1: TESTIMONY ON SONGS 1 DECOMMISSIONING WORK COMPLETED AND REMAINING WORK SCOPE**
- **SCE-2: TESTIMONY ON THE NUCLEAR DECOMMISSIONING OF SONGS 2 & 3 AND PALO VERDE**
- **UTILITIES 3: TESTIMONY IN SUPPORT OF 2012 NUCLEAR DECOMMISSIONING COST TRIENNIAL JOINT APPLICATION**

- Transmitting the copies via e-mail to all parties who have provided an e-mail address.
- Placing the copies in sealed envelopes and causing such envelopes to be delivered by hand or by overnight courier to the offices of the Commissioner(s) or other addressee(s).

**Timothy Alan Simon**  
Commissioner, CPUC  
505 Van Ness Avenue  
San Francisco, CA  
94102

**Melanie Darling**  
ALJ, CPUC  
505 Van Ness Avenue  
San Francisco, CA  
94102

- Placing copies in properly addressed sealed envelopes and depositing such copies in the United States mail with first-class postage prepaid to all parties for those listed on the attached non-email list.
- Directing Prographics to place the copies in properly addressed sealed envelopes and to deposit such envelopes in the United States mail with first-class postage prepaid to all parties.

Executed this **December 21, 2012** at Rosemead, California.

*/s/ Raquel Ippoliti*

\_\_\_\_\_  
Raquel Ippoliti  
Project Analyst  
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue  
Post Office Box 800  
Rosemead, California 91770



California Public  
Utilities Commission

CPUC Home

## CALIFORNIA PUBLIC UTILITIES COMMISSION

### Service Lists

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**PROCEEDING: A0904007 - PG&E - FOR ITS 2009**  
**FILER: PACIFIC GAS AND ELECTRIC COMPANY**  
**LIST NAME: LIST**  
**LAST CHANGED: DECEMBER 18, 2012**

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### Parties

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MATTHEW FREEDMAN  
 THE UTILITY REFORM NETWORK  
 EMAIL ONLY  
 EMAIL ONLY, CA 00000  
 FOR: THE UTILITY REFORM NETWORK

GLORIA M. ING  
 SENIOR ATTORNEY  
 SOUTHERN CALIFORNIA EDISON COMPANY  
 2244 WALNUT GROVE AVE  
 ROSEMEAD, CA 91770  
 FOR: SOUTHERN CALIFORNIA EDISON COMPANY

ALVIN S. PAK  
 ATTORNEY AT LAW  
 SEMPRA ENERGY  
 101 ASH STREET, HQ12C  
 SAN DIEGO, CA 92101-3017  
 FOR: SAN DIEGO GAS & ELECTRIC COMPANY

DONALD H. KORN  
 DHK ASSOCIATES  
 355 N SAN ANTONIO ROAD  
 LOS ALTOS, CA 94022  
 FOR: DHK ASSOCIATES

RASHID A. RASHID  
 CALIF PUBLIC UTILITIES COMMISSION  
 LEGAL DIVISION  
 ROOM 4107  
 505 VAN NESS AVENUE  
 SAN FRANCISCO, CA 94102-3214  
 FOR: DRA - DIVISION OF RATEPAYER  
 ADVOCATES

CRAIG M. BUCHSBAUM  
 LAW DEPARTMENT  
 PACIFIC GAS AND ELECTRIC COMPANY  
 PO BOX 7442 / 77 BEALE STREET  
 SAN FRANCISCO, CA 94105  
 FOR: PACIFIC GAS AND ELECTRIC COMPANY

ANN L. TROWBRIDGE  
 DAY CARTER & MURPHY LLP  
 3620 AMERICAN RIVER DRIVE, SUITE 205  
 SACRAMENTO, CA 95864

SCOTT L. FIELDER  
 ATTORNEY AT LAW  
 FIELDER, FIELDER & FIELDER  
 419 SPRING STREET, SUITE A

FOR: MERCED IRRIGATION DISTRICT

NEVADA CITY, CA 95959

FOR: FIELDER, FIELDER &amp; FIELDER

**Information Only**

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CASSANDRA SWEET  
DOW JONES NEWSWIRES  
EMAIL ONLY  
EMAIL ONLY, CA 00000

DONALD E. RAGSDALE  
EMAIL ONLY  
EMAIL ONLY, CA 00000

ELIZABETH HAVENS  
BUSARA ADVISORS  
EMAIL ONLY  
EMAIL ONLY, NY 00000

JOE SCHLATER  
BUSARA ADVISORS  
EMAIL ONLY  
EMAIL ONLY, NY 00000

JUAN D. ESPINOSA  
CABRERA CAPITAL MARKETS, LLC  
EMAIL ONLY  
EMAIL ONLY, NY 00000

MRW & ASSOCIATES, LLC  
EMAIL ONLY  
EMAIL ONLY, CA 00000

RAMIREZ ASSET MANAGAMENT  
EMAIL ONLY  
EMAIL ONLY, CA 00000

CLIFFORD SWINT  
SENIOR VICE PRESIDENT  
BLAYLOCK ROBERT VAN, LLC  
EMAIL ONLY  
EMAIL ONLY, NY 00000-0000

RON QUIGLEY  
MISCHLER FINANCIAL GROUP  
ONE STAMFORD LANDING, STE. 111  
STAMFORD, CT 06902

LOUIS A. SARNO  
RAMIREZ ASSET MANAGEMENT  
61 BROADWAY, 29TH FL.  
NEW YORK, NY 10006

NIAL J. KENNY  
VP  
RAMIREZ ASSET MANAGEMENT  
61 BROADWAY 29TH FL.  
NEW YORK, NY 10006

RAYMOND S. O'CONNOR  
MANAGING DIRECTOR  
SAMUEL A. RAMIREZ & CO., INC.  
61 BROADWAY, SUITE 2924  
NEW YORK, NY 10006

SAMUEL A. RAMIREZ JR.  
PRESIDENT & CEO  
RAMIREZ ASSET MANAGEMENT  
61 BROADWAY, 29TH FLOOR  
NEW YORK, NY 10006

GREG PARSONS  
PRESIDENT  
UCM PARTNERS  
52 BVANDERBILT AVNUE, SUITE 401  
NEW YORK, NY 10017

THOMAS B. MANDEL  
SENIOR MANAGING DIRECTOR  
UCM PARTNERS  
52 VANDERBILT AVENUE, SUITE 401  
NEW YORK, NY 10017

DAIL ST CLAIRE  
WILLIAMS CAPITAL MANAGEMENT, LLC  
570 SEVENTH AVENUE, SUITE 504  
NEW YORK, NY 10018

DAIL ST. CLAIRE  
WILLIAMS CAPITAL MANAGEMENT TRUST

MONIKA MANTILLA  
ALTURA CAPITAL

570 SEVENTH AVENUE, STE. 504  
NEW YORK, NY 10018

115 EAST 57 ST., 11TH FLOOR  
NEW YORK, NY 10022

CLIFFORD C. SWINT  
BLAYLOCK & COMPANY  
600 LEXINGTON AVE., STE 300  
NEW YORK, NY 10022-7637

DONALD L. BAGLEY  
WELLS FARGO ADVISORS, LLC  
2415 EAST CAMELBACK RD., STE. 100  
PHOENIX, AZ 85016

BETTE SMITH-MILNE  
FIRST-CHOICE DISTRIBUTORS  
11835 W. OLYMPIC BOULEVARD, SUITE 425E  
LOS ANGELES, CA 90064

JERRY J. RUIZ  
ALVARADOSMITH LLC  
633 W. FIFTH STREET, SUITE 1100  
LOS ANGELES, CA 90071

JANICE BRYANT HOWROYD  
ACT 1 GROUP  
1999 W. 190TH STREET  
TORRANCE, CA 90504

KEN LANDAU  
ACT 1 GROUP  
1999 W. 190TH STREET  
TORRANCE, CA 90504

GORDON M. DE LANG  
SOUTHERN CALIFORNIA COMMERCIAL BANKING  
135 NORTH LOS ROBLES AVE, SUITE 100  
PASADENA, CA 91101

ANGELICA MORALES  
ATTORNEY  
SOUTHERN CALIFORNIA EDISON COMPANY  
2244 WALNUT GROVE AVENUE / PO BOX 800  
ROSEMEAD, CA 91770

CASE ADMINISTRATION  
SOUTHERN CALIFORNIA EDISON COMPANY  
2244 WALNUT GROVE AVENUE / PO BOX 800  
ROSEMEAD, CA 91770

PAUL HUNT  
SOUTHERN CALIFORNIA EDISON COMPANY  
PO BOX 800  
2244 WALNUT GROVE AVENUE  
ROSEMEAD, CA 91770

RAQUEL IPPOLITI  
SOUTHERN CALIFORNIA EDISON COMPANY  
CASE ADMINISTRATION - LAW DEPARTMENT  
2244 WALNUT GROVE AVE.  
ROSEMEAD, CA 91770

LAURA DEMARCO  
PO BOX 2828  
DEL MAR, CA 92014

JOE REID  
VP - BUSINESS DEVELOPMENT  
LM CAPITAL GROUP  
401 B STREET, SUITE 950  
SAN DIEGO, CA 92101

JAMES F. WALSH  
ATTORNEY AT LAW  
SAN DIEGO GAS & ELECTRIC COMPANY  
PO BOX 1831, 101 ASH STREET  
SAN DIEGO, CA 92101-3017

MORGAN LEE  
U-T SAN DIEGO  
350 CAMINO DE LA REINA  
SAN DIEGO, CA 92108

JANAR JOSEPH WASITO  
MANAGING PARTNER  
MAGIS CAPITAL  
9990 MESA RIM ROAD, SUITE 240  
SAN DIEGO, CA 92121

JANAR JOSEPH WASITO  
MAGIS CAPITAL  
9990 MESA RIM ROAD, STE. 240  
SAN DIEGO, CA 92121

WENDY KEILANI  
REGULATORY CASE MGR.  
SAN DIEGO GAS & ELECTRIC COMPANY  
8330 CENTURY PARK COURT, CP32D  
SAN DIEGO, CA 92123

LINDA WRAZEN  
 REGULATORY CASE ADMINISTRATOR  
 SAN DIEGO GAS & ELECTRIC COMPANY  
 8330 CENTURY PARK COURT, CP32D  
 SAN DIEGO, CA 92123-1530

CENTRAL FILES  
 SDG&E AND SOCALGAS  
 8330 CENTURY PARK COURT, CP31-E  
 SAN DIEGO, CA 92123-1550

HAL CARDEN  
 PACIFIC GAS AND ELECTRIC COMPANY  
 PO BOX 56  
 AVILA BEACH, CA 93424

EDMUND VIRAY  
 WULFF HANSEN & CO.  
 351 CALIFORNIA STREET, STE., 1000  
 SAN FRANCISCO, CA 94104

JAMES CONOR DOYLE  
 PACIFIC GAS & ELECTRIC COMPANY  
 77 BEALE STREET, B10B / PO BOX 77000  
 SAN FRANCISCO, CA 94104

LEONARD BERRY  
 BACKSTROM MCCARLEY BERRY & CO., LLC  
 115 SANSOME STREET, MEZZANINE A  
 SAN FRANCISCO, CA 94104

NINA SUETAKE  
 THE UTILITY REFORM NETWORK  
 115 SANSOME STREET, SUITE 900  
 SAN FRANCISCO, CA 94104

BONNIE W. TAM  
 PACIFIC GAS AND ELECTRIC COMPANY  
 77 BEALE STREET, MC B10A, PO BOX 770000  
 SAN FRANCISCO, CA 94105

HAUSMANN BANET  
 595 MARKET STREET, SUITE 2170  
 SAN FRANCISCO, CA 94105

JOHNITA MIZELLE  
 PROGRESS INVESTMENT MANAGEMENT CO. LLC  
 33 NEW MONTGOMERY ST. 19TH FLOOR  
 SAN FRANCISCO, CA 94105

THURMAN B. WHITE, JR.  
 PROGRESS INVESTMENT MANAGEMENT CO, LLC  
 33 NEW MONTGOMERY STREET, 19TH FLOOR  
 SAN FRANCISCO, CA 94105

ANTOINETTE CHANDLER  
 MORGAN STANLEY  
 101 CALIFORNIA STREET, 7TH FLOOR  
 SAN FRANCISCO, CA 94111

HILARY CORRIGAN  
 CALIFORNIA ENERGY MARKETS  
 425 DIVISADERO ST. SUITE 303  
 SAN FRANCISCO, CA 94117-2242

CHRISTOPHER J. WARNER  
 ATTORNEY  
 PACIFIC GAS AND ELECTRIC COMPANY  
 77 BEALE STREET / PO BOX 7442  
 SAN FRANCISCO, CA 94120

CASE ADMINISTRATION  
 PACIFIC GAS AND ELECTRIC COMPANY  
 77 BEALE STREET, MC B9A  
 SAN FRANCISCO, CA 94177

KATHERINE DONNELLY  
 CASE ADMINISTRATOR  
 PACIFIC GAS & ELECTRIC COMPANY  
 PO BOX 770000, MC B9A  
 SAN FRANCISCO, CA 94177

LINDSEY HOW-DOWNING  
 LAW OFFICES OF LINDSEY HOW-DOWNING  
 3020 EL CERRITO PLAZA, NO. 175  
 EL CERRITO, CA 94530  
 FOR: PACIFIC GAS & ELECTRIC COMPANY

S. JULIO FRIEDMANN  
 ENERGY & ENVIRONMENTAL SECURITY  
 PO BOX 808 L-184  
 LIVERMORE, CA 94551

JAMES ADAMS  
 9394 MIRA DEL RIO DRIVE

RALPH R. NEVIS  
 DAY CARTER & MURPHY LLP

SACRAMENTO, CA 95827

3620 AMERICAN RIVER DR., SUITE 205  
SACRAMENTO, CA 95864

## State Service

---

BERNARD AYANRUOH  
CALIF PUBLIC UTILITIES COMMISSION  
UTILITY AUDIT, FINANCE & COMPLIANCE BRAN  
AREA 3-C  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

BISHU CHATTERJEE  
CALIF PUBLIC UTILITIES COMMISSION  
EXECUTIVE DIVISION  
ROOM 5303  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

CLAYTON K. TANG  
CALIF PUBLIC UTILITIES COMMISSION  
ENERGY COST OF SERVICE & NATURAL GAS BRA  
ROOM 4205  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

DONALD J. LAFRENZ  
CALIF PUBLIC UTILITIES COMMISSION  
MARKET STRUCTURE, COSTS AND NATURAL GAS  
AREA 4-A  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

ERIC GREENE  
CALIF PUBLIC UTILITIES COMMISSION  
MARKET STRUCTURE, COSTS AND NATURAL GAS  
AREA 4-A  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

MELANIE DARLING  
CALIF PUBLIC UTILITIES COMMISSION  
DIVISION OF ADMINISTRATIVE LAW JUDGES  
ROOM 5041  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

RAHMON MOMOH  
CALIF PUBLIC UTILITIES COMMISSION  
EXECUTIVE DIVISION  
ROOM 5206  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

ROBERT M. POCTA  
CALIF PUBLIC UTILITIES COMMISSION  
ENERGY COST OF SERVICE & NATURAL GAS BRA  
ROOM 4205  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

THOMAS M. RENAGHAN  
CALIF PUBLIC UTILITIES COMMISSION  
ENERGY COST OF SERVICE & NATURAL GAS BRA  
ROOM 4205  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

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### Parties

---

MATTHEW FREEDMAN  
THE UTILITY REFORM NETWORK  
EMAIL ONLY  
EMAIL ONLY, CA 00000  
FOR: THE UTILITY REFORM NETWORK

GLORIA M. ING  
SENIOR ATTORNEY  
SOUTHERN CALIFORNIA EDISON COMPANY  
2244 WALNUT GROVE AVE  
ROSEMEAD, CA 91770  
FOR: SOUTHERN CALIFORNIA EDISON COMPANY

ALVIN S. PAK  
ATTORNEY AT LAW  
SEMPRA ENERGY  
101 ASH STREET, HQ12C  
SAN DIEGO, CA 92101-3017  
FOR: SAN DIEGO GAS & ELECTRIC COMPANY

DONALD H. KORN  
DHK ASSOCIATES  
355 N SAN ANTONIO ROAD  
LOS ALTOS, CA 94022  
FOR: DHK ASSOCIATES

RASHID A. RASHID  
CALIF PUBLIC UTILITIES COMMISSION  
LEGAL DIVISION  
ROOM 4107  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214  
FOR: DRA - DIVISION OF RATEPAYER  
ADVOCATES

CRAIG M. BUCHSBAUM  
LAW DEPARTMENT  
PACIFIC GAS AND ELECTRIC COMPANY  
PO BOX 7442 / 77 BEALE STREET  
SAN FRANCISCO, CA 94105  
FOR: PACIFIC GAS AND ELECTRIC COMPANY

ANN L. TROWBRIDGE  
DAY CARTER & MURPHY LLP  
3620 AMERICAN RIVER DRIVE, SUITE 205  
SACRAMENTO, CA 95864

SCOTT L. FIELDER  
ATTORNEY AT LAW  
FIELDER, FIELDER & FIELDER  
419 SPRING STREET, SUITE A

FOR: MERCED IRRIGATION DISTRICT

NEVADA CITY, CA 95959

FOR: FIELDER, FIELDER &amp; FIELDER

**Information Only**

---

CASSANDRA SWEET  
DOW JONES NEWSWIRES  
EMAIL ONLY  
EMAIL ONLY, CA 00000

DONALD E. RAGSDALE  
EMAIL ONLY  
EMAIL ONLY, CA 00000

ELIZABETH HAVENS  
BUSARA ADVISORS  
EMAIL ONLY  
EMAIL ONLY, NY 00000

JOE SCHLATER  
BUSARA ADVISORS  
EMAIL ONLY  
EMAIL ONLY, NY 00000

JUAN D. ESPINOSA  
CABRERA CAPITAL MARKETS, LLC  
EMAIL ONLY  
EMAIL ONLY, NY 00000

MRW & ASSOCIATES, LLC  
EMAIL ONLY  
EMAIL ONLY, CA 00000

RAMIREZ ASSET MANAGAMENT  
EMAIL ONLY  
EMAIL ONLY, CA 00000

CLIFFORD SWINT  
SENIOR VICE PRESIDENT  
BLAYLOCK ROBERT VAN, LLC  
EMAIL ONLY  
EMAIL ONLY, NY 00000-0000

RON QUIGLEY  
MISCHLER FINANCIAL GROUP  
ONE STAMFORD LANDING, STE. 111  
STAMFORD, CT 06902

LOUIS A. SARNO  
RAMIREZ ASSET MANAGEMENT  
61 BROADWAY, 29TH FL.  
NEW YORK, NY 10006

NIAL J. KENNY  
VP  
RAMIREZ ASSET MANAGEMENT  
61 BROADWAY 29TH FL.  
NEW YORK, NY 10006

RAYMOND S. O'CONNOR  
MANAGING DIRECTOR  
SAMUEL A. RAMIREZ & CO., INC.  
61 BROADWAY, SUITE 2924  
NEW YORK, NY 10006

SAMUEL A. RAMIREZ JR.  
PRESIDENT & CEO  
RAMIREZ ASSET MANAGEMENT  
61 BROADWAY, 29TH FLOOR  
NEW YORK, NY 10006

GREG PARSONS  
PRESIDENT  
UCM PARTNERS  
52 BVANDERBILT AVNUE, SUITE 401  
NEW YORK, NY 10017

THOMAS B. MANDEL  
SENIOR MANAGING DIRECTOR  
UCM PARTNERS  
52 VANDERBILT AVENUE, SUITE 401  
NEW YORK, NY 10017

DAIL ST CLAIRE  
WILLIAMS CAPITAL MANAGEMENT, LLC  
570 SEVENTH AVENUE, SUITE 504  
NEW YORK, NY 10018

DAIL ST. CLAIRE  
WILLIAMS CAPITAL MANAGEMENT TRUST

MONIKA MANTILLA  
ALTURA CAPITAL



570 SEVENTH AVENUE, STE. 504  
NEW YORK, NY 10018

115 EAST 57 ST., 11TH FLOOR  
NEW YORK, NY 10022

CLIFFORD C. SWINT  
BLAYLOCK & COMPANY  
600 LEXINGTON AVE., STE 300  
NEW YORK, NY 10022-7637

DONALD L. BAGLEY  
WELLS FARGO ADVISORS, LLC  
2415 EAST CAMELBACK RD., STE. 100  
PHOENIX, AZ 85016

BETTE SMITH-MILNE  
FIRST-CHOICE DISTRIBUTORS  
11835 W. OLYMPIC BOULEVARD, SUITE 425E  
LOS ANGELES, CA 90064

JERRY J. RUIZ  
ALVARADOSMITH LLC  
633 W. FIFTH STREET, SUITE 1100  
LOS ANGELES, CA 90071

JANICE BRYANT HOWROYD  
ACT 1 GROUP  
1999 W. 190TH STREET  
TORRANCE, CA 90504

KEN LANDAU  
ACT 1 GROUP  
1999 W. 190TH STREET  
TORRANCE, CA 90504

GORDON M. DE LANG  
SOUTHERN CALIFORNIA COMMERCIAL BANKING  
135 NORTH LOS ROBLES AVE, SUITE 100  
PASADENA, CA 91101

ANGELICA MORALES  
ATTORNEY  
SOUTHERN CALIFORNIA EDISON COMPANY  
2244 WALNUT GROVE AVENUE / PO BOX 800  
ROSEMEAD, CA 91770

CASE ADMINISTRATION  
SOUTHERN CALIFORNIA EDISON COMPANY  
2244 WALNUT GROVE AVENUE / PO BOX 800  
ROSEMEAD, CA 91770

PAUL HUNT  
SOUTHERN CALIFORNIA EDISON COMPANY  
PO BOX 800  
2244 WALNUT GROVE AVENUE  
ROSEMEAD, CA 91770

RAQUEL IPPOLITI  
SOUTHERN CALIFORNIA EDISON COMPANY  
CASE ADMINISTRATION - LAW DEPARTMENT  
2244 WALNUT GROVE AVE.  
ROSEMEAD, CA 91770

LAURA DEMARCO  
PO BOX 2828  
DEL MAR, CA 92014

JOE REID  
VP - BUSINESS DEVELOPMENT  
LM CAPITAL GROUP  
401 B STREET, SUITE 950  
SAN DIEGO, CA 92101

JAMES F. WALSH  
ATTORNEY AT LAW  
SAN DIEGO GAS & ELECTRIC COMPANY  
PO BOX 1831, 101 ASH STREET  
SAN DIEGO, CA 92101-3017

MORGAN LEE  
U-T SAN DIEGO  
350 CAMINO DE LA REINA  
SAN DIEGO, CA 92108

JANAR JOSEPH WASITO  
MANAGING PARTNER  
MAGIS CAPITAL  
9990 MESA RIM ROAD, SUITE 240  
SAN DIEGO, CA 92121

JANAR JOSEPH WASITO  
MAGIS CAPITAL  
9990 MESA RIM ROAD, STE. 240  
SAN DIEGO, CA 92121

WENDY KEILANI  
REGULATORY CASE MGR.  
SAN DIEGO GAS & ELECTRIC COMPANY  
8330 CENTURY PARK COURT, CP32D  
SAN DIEGO, CA 92123

LINDA WRAZEN  
 REGULATORY CASE ADMINISTRATOR  
 SAN DIEGO GAS & ELECTRIC COMPANY  
 8330 CENTURY PARK COURT, CP32D  
 SAN DIEGO, CA 92123-1530

CENTRAL FILES  
 SDG&E AND SOCALGAS  
 8330 CENTURY PARK COURT, CP31-E  
 SAN DIEGO, CA 92123-1550

HAL CARDEN  
 PACIFIC GAS AND ELECTRIC COMPANY  
 PO BOX 56  
 AVILA BEACH, CA 93424

EDMUND VIRAY  
 WULFF HANSEN & CO.  
 351 CALIFORNIA STREET, STE., 1000  
 SAN FRANCISCO, CA 94104

JAMES CONOR DOYLE  
 PACIFIC GAS & ELECTRIC COMPANY  
 77 BEALE STREET, B10B / PO BOX 77000  
 SAN FRANCISCO, CA 94104

LEONARD BERRY  
 BACKSTROM MCCARLEY BERRY & CO., LLC  
 115 SANSOME STREET, MEZZANINE A  
 SAN FRANCISCO, CA 94104

NINA SUETAKE  
 THE UTILITY REFORM NETWORK  
 115 SANSOME STREET, SUITE 900  
 SAN FRANCISCO, CA 94104

BONNIE W. TAM  
 PACIFIC GAS AND ELECTRIC COMPANY  
 77 BEALE STREET, MC B10A, PO BOX 770000  
 SAN FRANCISCO, CA 94105

HAUSMANN BANET  
 595 MARKET STREET, SUITE 2170  
 SAN FRANCISCO, CA 94105

JOHNITA MIZELLE  
 PROGRESS INVESTMENT MANAGEMENT CO. LLC  
 33 NEW MONTGOMERY ST. 19TH FLOOR  
 SAN FRANCISCO, CA 94105

THURMAN B. WHITE, JR.  
 PROGRESS INVESTMENT MANAGEMENT CO, LLC  
 33 NEW MONTGOMERY STREET, 19TH FLOOR  
 SAN FRANCISCO, CA 94105

ANTOINETTE CHANDLER  
 MORGAN STANLEY  
 101 CALIFORNIA STREET, 7TH FLOOR  
 SAN FRANCISCO, CA 94111

HILARY CORRIGAN  
 CALIFORNIA ENERGY MARKETS  
 425 DIVISADERO ST. SUITE 303  
 SAN FRANCISCO, CA 94117-2242

CHRISTOPHER J. WARNER  
 ATTORNEY  
 PACIFIC GAS AND ELECTRIC COMPANY  
 77 BEALE STREET / PO BOX 7442  
 SAN FRANCISCO, CA 94120

CASE ADMINISTRATION  
 PACIFIC GAS AND ELECTRIC COMPANY  
 77 BEALE STREET, MC B9A  
 SAN FRANCISCO, CA 94177

KATHERINE DONNELLY  
 CASE ADMINISTRATOR  
 PACIFIC GAS & ELECTRIC COMPANY  
 PO BOX 770000, MC B9A  
 SAN FRANCISCO, CA 94177

LINDSEY HOW-DOWNING  
 LAW OFFICES OF LINDSEY HOW-DOWNING  
 3020 EL CERRITO PLAZA, NO. 175  
 EL CERRITO, CA 94530  
 FOR: PACIFIC GAS & ELECTRIC COMPANY

S. JULIO FRIEDMANN  
 ENERGY & ENVIRONMENTAL SECURITY  
 PO BOX 808 L-184  
 LIVERMORE, CA 94551

JAMES ADAMS  
 9394 MIRA DEL RIO DRIVE

RALPH R. NEVIS  
 DAY CARTER & MURPHY LLP

SACRAMENTO, CA 95827

3620 AMERICAN RIVER DR., SUITE 205  
SACRAMENTO, CA 95864

## State Service

---

BERNARD AYANRUOH  
CALIF PUBLIC UTILITIES COMMISSION  
UTILITY AUDIT, FINANCE & COMPLIANCE BRAN  
AREA 3-C  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

BISHU CHATTERJEE  
CALIF PUBLIC UTILITIES COMMISSION  
EXECUTIVE DIVISION  
ROOM 5303  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

CLAYTON K. TANG  
CALIF PUBLIC UTILITIES COMMISSION  
ENERGY COST OF SERVICE & NATURAL GAS BRA  
ROOM 4205  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

DONALD J. LAFRENZ  
CALIF PUBLIC UTILITIES COMMISSION  
MARKET STRUCTURE, COSTS AND NATURAL GAS  
AREA 4-A  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

ERIC GREENE  
CALIF PUBLIC UTILITIES COMMISSION  
MARKET STRUCTURE, COSTS AND NATURAL GAS  
AREA 4-A  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

MELANIE DARLING  
CALIF PUBLIC UTILITIES COMMISSION  
DIVISION OF ADMINISTRATIVE LAW JUDGES  
ROOM 5041  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

RAHMON MOMOH  
CALIF PUBLIC UTILITIES COMMISSION  
EXECUTIVE DIVISION  
ROOM 5206  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

ROBERT M. POCTA  
CALIF PUBLIC UTILITIES COMMISSION  
ENERGY COST OF SERVICE & NATURAL GAS BRA  
ROOM 4205  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

THOMAS M. RENAGHAN  
CALIF PUBLIC UTILITIES COMMISSION  
ENERGY COST OF SERVICE & NATURAL GAS BRA  
ROOM 4205  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3214

---

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