

Investigation No.: I.12-10-013
Exhibit No.: SDGE-19
Witness: Deborah Hiramoto

**PREPARED DIRECT TESTIMONY OF
DEBORAH HIRAMOTO
ON BEHALF OF
SAN DIEGO GAS & ELECTRIC COMPANY**

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

August 16, 2013

PREPARED DIRECT TESTIMONY

OF

DEBORAH HIRAMOTO

I. REVENUE REQUIREMENT FOR SONGS INVESTMENT

The purpose of my testimony is to present San Diego Gas & Electric Company (SDG&E)'s estimated San Onofre Nuclear Generating Station (SONGS) Units 2 and 3-related revenue requirement through 2020 based on the investment amortization and rates of return (ROR) on rate base proposals set forth in the testimony of SDG&E witness Kenneth Deremer (Exhibit SDG&E-18). Table I, below, shows SDG&E's 20% share of estimated annual SONGS-related Operations & Maintenance (O&M), capital revenue requirement and fuel inventory carrying costs through 2020. As Mr. Deremer describes in his testimony, SDG&E proposes to amortize its SONGS costs beginning June 1, 2013. However, in compliance with the scoping memo issued on July 1, 2013 in this proceeding, SDG&E has also prepared an amortization schedule beginning November 1, 2012. This amortization schedule is contained in Appendix A of my testimony.

Table I
San Diego Gas and Electric Company
SONGS OII Phase 2 Revenue Requirement, \$millions, with ff&u

Line #	Category	Jun - Dec 2013	2014	2015	2016	2017	2018	2019	2020	Total
1	Used and Useful	13	23	26	22	21	22	21	20	168
2	Retired	47	79	76	72	67	27	-	-	368
3	Used & Useful and Retired Rev Req	60	102	102	94	88	49	21	20	536
4	Used & Useful and Retired Ratebase	321	305	238	171	105	52	27	9	
5	Nuclear Fuel Carrying Cost	-	-	1	3	5	5	5	5	24
6	O&M	57	52	36	37	37	10	10	10	249
7	Accelerated Savings	(5)	1	1	1	2				-
8	Proposed Revenue Requirement	\$ 112	\$ 155	\$ 140	\$ 135	\$ 132	\$ 64	\$ 36	\$ 35	\$ 809

A. Capital Revenue Requirements

The derivation of the SONG-related capital requirement reflects the calculation of the depreciation/amortization, ROR and applicable income taxes and property taxes. As discussed in

1 the testimony of Mr. Deremer, SDG&E is proposing to recover its remaining investment in
 2 SONGS, including the Steam Generator Replacement Project (SGRP) investment. The
 3 unamortized investment as well as existing construction work in progress (CWIP) has been
 4 categorized into a “used and useful” category and a “retired” category. Based on the investment
 5 amortization and ROR on rate base (*i.e.*, revenue requirement “parameters”) proposals supported
 6 in the previous chapter, the associated revenue requirements for Used and Useful category is
 7 \$168 million and for the Retired category is \$368 million, as shown on Lines 1 and 2 of Table I
 8 above. Total rate base for these two categories is \$321 million as shown on Line 4 of Table I
 9 above.

10 As discussed by Mr. Deremer, various depreciation and ROR assumptions are applied in
 11 developing the capital revenue requirements. Table II, below, summarizes the various
 12 amortization periods and ROR assumptions for each category of plant.
 13

Table II		
SONGS OII Phase 2 - Assumptions		
Category	Authorized ROR 7.79%	Reduced ROR 5.07%
Used and Useful (with CWIP)	6/1/13-12/31/17	1/1/18-12/31/20
M&S	1/1/15-12/31/17	1/1/18-12/31/20
Retired		6/1/13-5/31/18

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 15 **B. O&M**

16 Although SDG&E is not requesting recovery of O&M expenses in this phase of this
 17 proceeding, SDG&E is presenting an estimate of the O&M that is expected to be incurred
 18 through 2020. As shown on Line 6 of Table I, estimated O&M expenses will decrease beginning
 19 in 2014 due to the transition of SONGS Units 2 and 3 to the decommissioning phase. The
 20 decreases in O&M will serve to reduce the total revenue requirement from what is authorized in
 21 rates today as explained in Mr. Deremer’s testimony. As further described by Mr. Deremer,
 22 SDG&E proposes to reduce its SONGS revenue requirement for O&M costs billed from
 23 Southern California Edison (SCE) and accelerate a portion of the estimated savings from 2014-
 24 2017 to offset the impact of the revenue requirement for 2013.

1 **C. Fuel Inventory Carrying Costs**

2 As discussed in the testimony of Mr. Deremer, SDG&E is proposing to defer recovery of
3 the balance of unamortized nuclear fuel until such time it is determined what remaining portion
4 of inventory is left to be recovered. During the deferral period, SDG&E is requesting to recover
5 the nuclear fuel carrying cost of the SONGS-related fuel inventory balance calculated based on
6 short-term borrowing rate. SDG&E has estimated the fuel inventory carrying costs on Line 5 of
7 Table I.

8 This concludes my direct testimony.

1 **WITNESS QUALIFICATIONS**

2 My name is Deborah Hiramoto. My business address is 555 W. 5th Street, Los Angeles,
3 California, 90013. I am employed by Southern California Gas Company (SoCalGas) as General
4 Rate Case (GRC) Financial Analysis Manager.

5 I received a Bachelor of Science degree in Business Administration from California State
6 University, Los Angeles where my area of concentration was Accounting. I have been
7 employed by SoCalGas in various positions since 1988. My experience includes assignments in
8 General Accounting, Gas Accounting, Financial Planning, and Regulatory Affairs.

9 My current responsibilities include managing the development of the revenue
10 requirement in the SDG&E and SoCalGas GRC proceedings.

11
12 I have previously testified before the California Public Utilities Commission.

Appendix A

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Amortization from November 2012 in compliance with Phase II scoping Memo

Appendix A - November 1, 2012 SONGS 2&3
San Diego Gas and Electric Company
SONGS OII Phase 2 Revenue Requirement, \$Millions, with FF&U

Line #	Category	Nov-Dec 2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1	Used & Useful	3	25	25	23	22	21	20	9	8	156
2	Retired	13	81	80	75	69	54	-	-	-	372
3	Used & Useful and Retired Rev Req	16	106	105	98	91	75	20	9	8	528
4	Nuclear Fuel Carrying Cost	-	-	-	1	3	5	5	5	5	24
5	O&M	-	98	51	36	37	38	9	10	10	289
6	Proposed Revenue Requirement	<u>\$ 16</u>	<u>\$ 204</u>	<u>\$ 156</u>	<u>\$ 135</u>	<u>\$ 131</u>	<u>\$ 118</u>	<u>\$ 34</u>	<u>\$ 24</u>	<u>\$ 23</u>	<u>\$ 841</u>
7	Used & Useful and Retired Ratebase	\$ 332	\$ 323	\$ 274	\$ 204	\$ 135	\$ 69	\$ 31	\$ 16	\$ 16	