

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2016 General Rate Case
Application: A.14-11-003
Exhibit: SDG&E-12-R

REVISED

SDG&E

DIRECT TESTIMONY OF MICHAEL L. DE MARCO

(SONGS)

March 2015

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



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APPENDIX

Glossary of Acronyms MLD-A-1

Summary of Requests and Forecast

ELECTRIC GENERATION - SONGS			
Shown in Thousands, Nominal Dollars	2013 Adjusted-Recorded	TY2016 Estimated	Change
Total Non-Shared	1,324	1,293	-31
Total Shared Services (Incurred)	0	0	0
Total O&M	1,324	1,293	-31

SONGS/DISTRIBUTED GENERATION			
Shown in Thousands, Nominal Dollars	Estimated 2014	Estimated 2015	Estimated 2016
Total CAPITAL	853	6,216	2,319

The key issues affecting San Diego Gas & Electric Company’s (“SDG&E’s”) San Onofre Nuclear Generating Station (“SONGS”) costs during this General Rate Case (“GRC”) cycle are:

- After the June 2013 closure of SONGS, most SONGS costs are appropriately considered to be decommissioning-related costs, and thus will be recovered through mechanisms other than the GRC. Remaining costs not recovered through mechanisms other than the GRC are contained in my testimony;
- SONGS costs, except for Marine Mitigation, have been removed from Southern California Edison’s (“SCE’s”) Test Year (“TY”) 2015 GRC; and
- SDG&E’s internal SONGS oversight costs are sponsored in the Generation and Resource Planning Testimony of Mr. Carl LaPeter, in Exh. SDG&E-11.

My testimony describes the few SONGS-related costs that SDG&E is continuing to request in this GRC, and through the TY 2015 SCE GRC. In addition, my testimony describes the expected changes to the regulatory ratemaking approach regarding SDG&E’s 20% share of SONGS expenses historically recovered in the SCE GRC and SDG&E GRC.

1 **SDG&E DIRECT TESTIMONY OF MICHAEL L. DE MARCO**
2 **(SONGS)**

3 **I. SUMMARY OF REQUEST**

4 Table MLD-1 shows SONGS-related costs that are sponsored in my testimony.¹

5 **TABLE MLD-1**
6 **(Nominal \$, Thousands)**

ELECTRIC GENERATION - SONGS			
Shown in Thousands Dollars	2013 Adjusted-Recorded	TY2016 Estimated	Change
Total Non-Shared	1,324	1,293	-31
Total Shared Services (Incurred)	0	0	0
Total O&M	1,324	1,293	-31

7 Table MLD-2 shows SDG&E's 20% share of costs for Marine Mitigation capital
8 expenditures as forecast by SCE in the SCE's TY2015 GRC (100% share).² As the majority
9 owner, SCE sponsors SONGS costs at a 100% level. In the SCE GRC, SDG&E submitted
10 intervenor testimony and seeks to establish and recover its 20% portion of SONGS costs in
11 SCE's TY2015 GRC, A.13-11-003.³ I describe the Marine Mitigation capital expenditures later
12 in my testimony.

13
14

¹ In addition to the direct costs I am sponsoring in my testimony, other witnesses address costs that are related to SONGS, but are addressed in their areas. For example, the Electric Generation testimony of Carl LaPeter (Exh. SDG&E-11) sponsors the labor working in electric generation, including SONGS. Furthermore, Exh. SDG&E-36 (witness Khai Nguyen) sponsors the revenue requirement calculation (which captures SONGS return on rate base, depreciation, taxes, etc.) for SDG&E's portion of total SONGS-related costs to be established in both this GRC and in SCE's GRC.

² When forecasting its share of Marine Mitigation capital costs, SDG&E relies upon the Marine Mitigation capital costs provided by SCE in its TY2015 GRC Direct Testimony, SCE-07 (SCE witness D. Neal) and SCE Rebuttal Testimony, SCE-23 (SCE witness D. Neal) and related workpapers. Copies of the relevant SCE documents from the SCE TY2015 GRC are provided in SDGE-CWP-12 at Appendix A (Supplemental Workpapers).

³ SDG&E's intervenor testimony in the SCE TY2015 GRC, SDG&E-01 (SDG&E witness M. De Marco) and SDG&E-02 (SDG&E witness Ping Ng), was submitted on August 18, 2014. In my testimony submitted in the SCE GRC, SDG&E-01 at MLD-6, I stated "SDG&E respectfully requests that the Commission approve SDG&E's share of SCE's Marine Mitigation capital expenditures . . . In the alternative, if the Commission approves amounts for SCE that differ from SCE's original request, then SDG&E requests that the Commission approve for SDG&E amounts resulting from the application of SDG&E's methodology [provided], when applied to SCE's authorized Marine Mitigation capital expenditure amounts." At the time of this submission, SCE's TY2015 GRC remains pending.

TABLE MLD-2
(Nominal \$, Thousands)

SONGS/DISTRIBUTED GENERATION			
Categories of Management	Estimated 2014	Estimated 2015	Estimated 2016
A. Marine Mitigation	853	6,216	2,319
Total	853	6,216	2,319

II. PURPOSE OF TESTIMONY

The purpose of this testimony is to discuss SDG&E’s Operations and Maintenance (“O&M”) and capital costs associated with SDG&E’s 20% minority ownership in SONGS.

On June 7, 2013, SCE publicly announced that SONGS Units 2 and 3 would cease operations. As a result, most of SDG&E’s SONGS-related “operating” costs have ended. Therefore, for most of its SONGS-related costs, SDG&E has discontinued its long-standing practice of seeking recovery through SDG&E’s or SCE’s GRCs.

Despite the cessation of generation operations at SONGS, costs continue to be incurred during the SONGS’ decommissioning phase. SDG&E plans to recover most of these costs through other regulatory mechanisms. However, there are a few unique SONGS costs associated with SONGS that will continue during the decommissioning phase that SDG&E will continue to request in its GRCs. My testimony specifically requests recovery of the following reasonably incurred SONGS-related O&M costs in this SDG&E TY2016 GRC filing:

- \$1.064 million (2016\$) for SONGS Unit 1 offsite spent fuel storage costs⁴; and
- \$0.229 million (2016\$) for Worker’s Compensation under the Master Insurance Program (“MIP”) program.

SDG&E intends to seek recovery for the remaining SONGS costs through other regulatory mechanisms and regulatory proceedings, as appropriate. SDG&E’s intended approach is discussed below.

III. BACKGROUND

A. SDG&E’s Historical Recovery Process for SONGS Costs

Traditionally, SDG&E has recovered its costs for its 20% ownership interest in SONGS

⁴ In April 2015, SDG&E intends to file for authorization of the Unit 1 Spent Fuel Storage revenue requirement in its 2016 ERRA Forecast Application and request that such future costs be included in future ERRA forecast filings. SDG&E intends to withdraw the request for these costs from its GRC Application if the ERRA application is approved.

1 based on the outcomes of several utility proceedings, most notably the SCE GRC, as well as
2 SDG&E's GRC. The Commission has stated in prior decisions that, in order to maintain
3 consistent treatment of SONGS O&M costs and capital expenditures and to avoid litigating
4 SONGS costs and expenditures in more than one proceeding, the SONGS-related expenses that
5 SCE bills to SDG&E that are presented in the SONGS portion of SCE's GRC should be
6 considered in SCE's GRC.⁵ This approach has been followed in SCE's past GRCs, dating back
7 to its Test Year ("TY") 1988 filing.⁶ In addition, in its own GRC, SDG&E traditionally has
8 requested a revenue requirement to pay for SONGS costs that are not presented in the SONGS
9 portion of SCE's GRC, such as Unit 1 Spent Fuel Storage, Navy site easements, insurance,
10 property taxes and SDG&E's capital related costs (return, depreciation & taxes).

11 **B. A New Approach in the Decommissioning Period**

12 Recent events necessitate a new approach for SDG&E's recovery of SONGS-related
13 costs. On June 7, 2013, SCE announced the permanent retirement of Units 2 and 3 at SONGS.
14 As the 20% minority owner, SDG&E pays its 20% ownership share of decommissioning
15 expenses for SONGS. SDG&E's top priority is to promote a safe, orderly, and compliant
16 retirement of these units. Actual decommissioning is currently expected to take almost 40 years
17 to complete.

18 In the Joint Scoping Memo and Ruling issued on March 27, 2014 in SCE's pending
19 GRC, SCE was directed by the presiding ALJ to remove SONGS costs from its GRC case.⁷ SCE
20 complied, and in April 2014, SCE filed Supplemental Testimony Exhibit SCE-14, which, to the
21 best of my knowledge and belief, no longer contains a request for approval of SONGS O&M and
22 capital costs, except for costs associated with on-going Marine Mitigation projects.

23 On April 3, 2014, SCE, SDG&E, TURN, ORA, the Coalition of California Utility
24 Employees, and Friends of the Earth (collectively "Settling Parties") filed a joint motion for
25 adoption of the SONGS OII Settlement Agreement in I.12-10-013. On September 24, 2014, the
26 Settling Parties filed an Amended and Restated Settlement Agreement ("Amended Settlement
27 Agreement") that contained specific additional terms and clarification requested by the

⁵ See, e.g., D.04-07-022, 2004 Cal. PUC LEXIS 325 at Finding of Fact 43 ("To ensure consistent treatment of SONGS expenditures and to avoid duplicate litigation, the Commission has addressed SONGS-related expenses that SCE bills to SDG&E in SCE's GRCs.").

⁶ See D.87-12-066, 1987 Cal. PUC LEXIS 415 at Conclusions of Law 10 & 69.

⁷ Joint Scoping Memo and Ruling of Assigned Commissioner and Assigned Administrative Law Judges, A.13-11-003, filed March 27, 2014.

1 Commission. On October 9, 2014, the Commission issued a Proposed Decision (“PD”)
2 supporting the Commission’s approval of the Amended Settlement Agreement. The Amended
3 Settlement Agreement does not address O&M costs or provide a SONGS O&M revenue
4 requirement for SDG&E after 2014. The Amended Settlement Agreement was adopted by the
5 Commission in D.14-11-040 (issued November 25, 2014) and it:

- 6 • Addresses the majority of SONGS cost recovery for O&M through 2014,
7 including unrecovered plant costs; and
- 8 • Provides capital-related revenue requirements and cost recovery through 2022.

9 The costs requested herein for Unit 1 offsite spent fuel storage and MIP litigation expense are not
10 addressed in SCE’s 2015 GRC or the Amended Settlement Agreement. I have noted throughout
11 my testimony certain SONGS cost categories that are affected by the Amended Settlement
12 Agreement.

13 While most SONGS-related costs have been removed from the SCE and SDG&E GRCs,
14 SDG&E will still need to recover those costs in appropriate regulatory proceedings and through
15 appropriate regulatory mechanisms. One of the main cost recovery venues will likely be through
16 SDG&E’s SONGS Nuclear Decommissioning Trust. Federal and state regulations require a
17 nuclear power plant owner to establish a trust fund to maintain sufficient money to pay for the
18 decommissioning of the facility.⁸ Traditionally, the Commission has authorized ratepayer
19 contributions to the Nuclear Decommissioning Trusts in the Nuclear Decommissioning Cost
20 Triennial Proceedings (“NDCTP”).⁹ SDG&E will seek authority to access its Nuclear
21 Decommissioning Trust to pay for the vast majority of these SONGS-related decommissioning
22 costs through a Commission-approved advice letter process consistent with the terms of the
23 SDG&E Master Trust Agreement, and relevant rules and regulations of the Internal Revenue
24 Service (“IRS”) and the Nuclear Regulatory Commission.¹⁰

25 SDG&E’s general approach to decide whether nuclear decommissioning trust funds may
26 be used to pay for a cost are first, the cost must have some nexus to the activity of

⁸ See, e.g., 10 CFR §50.75 and Cal. Pub. Util. Code §8321 et seq.

⁹ See, e.g., D.10-07-047 (Phase 1 of Consolidated Nuclear Decommissioning Cost Triennial Proceedings for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company).

¹⁰ In February 2014, SDG&E submitted such an advice letter (AL 2579-E) seeking authority to access its Nuclear Decommissioning Trust to disburse \$39 million for decommissioning costs paid June through December 2013. The advice letter remains pending at the time of this submission.

1 decommissioning a nuclear facility, and second, the use of those funds to pay the particular cost
2 is not prohibited by law or contrary to agency guidance. There are three specific SONGS costs
3 that might not be eligible to be paid for with nuclear decommissioning trust funds. These costs
4 are Unit 1 offsite spent fuel storage fees, MIP litigation expenses, and Marine Mitigation costs.

5 Unit 1 offsite spent fuel storage fees have traditionally been requested as part of
6 SDG&E's GRC and have not been paid from the Unit 1 Nuclear Decommissioning Trust. In
7 October 2014, SDG&E filed a request for a Private Letter Ruling with the IRS seeking
8 confirmation that Unit 1 trust funds may be used to pay for these costs in the future without
9 jeopardizing the Trust Fund's beneficial tax status under the Internal Revenue Code and
10 Treasury Regulations. Unless and until SDG&E receives a favorable ruling from the IRS, it will
11 not seek access to Unit 1 trust funds to pay for these costs and instead will continue to include a
12 request for Unit 1 Offsite Spent Storage Costs in its GRC or another appropriate regulatory
13 proceeding, such as SDG&E's 2016 ERRA Forecast Application.

14 The MIP litigation expenses and the Marine Mitigation expenses relate to SONGS
15 operational activities that pre-date the decommissioning period and lack a direct nexus to
16 decommissioning activities. Therefore, SDG&E has determined that these costs are not eligible
17 to be paid for with nuclear decommissioning trust funds. Thus, SDG&E must continue to
18 request approval of such costs in GRCs.

19 The accompanying Table MLD-3 illustrates which proceedings or through which
20 regulatory mechanisms SDG&E intends to recover the various SONGS-related costs it continues
21 to incur.

22

**TABLE MLD-3
SDG&E SONGS-RELATED COST RECOVERY**

COST CATEGORY	PREVIOUS PROCEEDING	FUTURE PROCEEDING/MECHANISM¹¹
Unit 1 Spent Fuel Storage	SDG&E GRC	SDG&E GRC or SDG&E 2016 ERRA Forecast Application
MIP Worker’s Compensation	SCE GRC	SDG&E GRC
Marine Mitigation ¹	SCE GRC	Amended Settlement Agreement ² and/or SCE GRC
Escalation ³	SDG&E GRC and SCE GRC	SDG&E GRC
Capital & Related Costs ⁴	SDG&E GRC	Amended Settlement Agreement and/or SDG&E GRC
Base O&M Billed by SCE	SCE GRC	Trust Disbursement Advice Letters
SDG&E Oversight ⁵	SDG&E GRC	SDG&E GRC
Site Easement	SDG&E GRC	Trust Disbursement Advice Letters
Property Taxes	SDG&E GRC	Trust Disbursement Advice Letters
Property & Liability Insurance	SDG&E GRC	Amended Settlement Agreement and/or Trust Disbursement Advice Letters
<p>¹ Includes AFUDC, Return, Depreciation, Taxes, Franchise Fees And Uncollectible Expenses (“FF&U”). At the time of this filing, the TY2015 SCE GRC remains pending. In the TY2015 SCE GRC, the Commission approved SDG&E’s request to establish a Marine Mitigation Memorandum Account to track Marine Mitigation costs billed by SCE to SDG&E starting January 1, 2015 (AL 2687-E, approved February 23, 2015).</p> <p>² The Amended Settlement Agreement, adopted in D.14-11-040, addresses the treatment of certain SONGS capital expenditures, including prior Marine Mitigation costs. However, Marine Mitigation costs in 2015 and beyond is addressed in SCE’s 2015 GRC</p> <p>³ Cost escalation is decided in the GRC where costs are granted</p> <p>⁴ Includes Return, Depreciation, Taxes, FF&U</p> <p>⁵ See Testimony of Carl LaPeter, Ex. SDG&E-11</p>		

¹¹ SDG&E recognizes that the proceedings listed under the ‘Future Proceeding/Mechanism’ column header have not yet been approved by the Commission as the appropriate forums for SDG&E to recovery these costs.

1 **IV. SCOPE AND SUMMARY OF REQUEST**

2 **A. Costs Requested in SDG&E's TY2016 GRC**

3 SDG&E's TY2016 request presented in this testimony and shown in Table MLD-4
4 below, presents the portion of SONGS-related direct O&M costs to be established in SDG&E's
5 GRC. My testimony also discusses SONGS-related costs that are described in other SDG&E
6 witnesses' testimony below.

7 **TABLE MLD-4**
SONGS-Related Direct O&M Costs
(Nominal \$, Thousands)

ELECTRIC GENERATION - SONGS			
Shown in Thousands Dollars			
Categories of Management	2013 Adjusted-Recorded	TY2016 Estimated	Change
Unit 1 Spent Fuel Storage GE-Hitachi	1,012	1,064	52
SONGS MIP Worker's Compensation	312	229	-83
Total	1,324	1,293	-31

8 **1. SONGS Unit 1 Offsite Spent Fuel Storage**

9 SONGS Unit 1 ceased operation on November 30, 1992. Defueling was completed on
10 March 6, 1993. On July 18, 2005, SDG&E submitted Advice Letter 1709-E, which removed
11 SONGS Unit 1 shutdown O&M expense from the revenue requirement pursuant to D.04-07-022.
12 SCE has decommissioned the Unit 1 facility, and as of 2010, most of the structures and
13 equipment have been removed and disposed of except for areas shared by Units 2 and 3 for
14 which physical decommissioning and dismantlement has not yet begun.

15 Spent fuel assemblies from SONGS Unit 1 have been stored since 1972 at the General
16 Electric-Hitachi spent fuel storage facility located in Morris, Illinois. There are 270 spent fuel
17 assemblies from SONGS Unit 1 currently in storage at that facility. Because there are no other
18 facilities currently available in the U.S. for the commercial storage of spent nuclear fuel, those
19 270 assemblies are expected to remain at the Morris facility until they are accepted for ultimate
20 disposal by the U.S. Department of Energy ("DOE"). Payments are made monthly to General
21 Electric-Hitachi by SCE, which in turn bills SDG&E for its 20% share.

22 SDG&E estimates its TY2016 SONGS Unit 1 Spent Fuel Storage expense to be \$1.064
23 million (2016\$) plus adjustments for escalation. The spent fuel storage contract with GE-Hitachi
24 utilizes the Bureau of Labor Standards' labor non-financial corporations and industrial

1 commodities indices to forecast escalation rates, which are included in SDG&E's billing
2 statement. This estimate is based on a spent fuel storage cost forecast prepared by SCE's
3 Nuclear Fuel Manager utilizing the contract escalation terms. SDG&E has provided a copy of
4 SCE's forecast for Unit 1 Spent Fuel Storage costs for 2016 in Exhibit SDG&E-12-WP-11.

5 While SONGS was operating, SDG&E did not seek access to Unit 1 nuclear
6 decommissioning trust funds to pay for these storage costs. Now that the SONGS'
7 decommissioning period has commenced, SDG&E filed a request in October 2014 for a Private
8 Letter Ruling with the IRS regarding the eligibility of Unit 1 trust funds to pay for these costs.
9 Until and unless SDG&E receives a favorable ruling from the IRS and approval from the CPUC,
10 it must continue to seek cost recovery for these costs through appropriate venues other than from
11 its Unit 1 Nuclear Decommissioning Trust. SDG&E also intends to file for recovery of the Unit
12 1 Spent Fuel Storage costs in its 2016 ERRA Forecast Application. SCE recovers its share of
13 Unit 1 Spent Fuel Storage costs in ERRA. Should SDG&E be granted approval to access Unit 1
14 decommissioning trust funds to pay for Unit 1 Spent Fuel Storage costs, or receive approval to
15 recover such costs in the ERRA proceeding, it will withdraw its request for recovery of the costs
16 in this GRC.

17 **2. Master Insurance Program ("MIP") Worker's Compensation Costs**

18 SCE continues to bill SDG&E for litigation expenses resulting from SONGS-related
19 accident and injury worker's compensation claims that occurred when SCE's MIP was in place.
20 The MIP program was active from 1972 to 1999, and insured all of SCE, including the owners,
21 contractors and subcontractors at SONGS, under one insurance program for General Liability
22 and Worker's Compensation. With the program's termination in 1999, premiums are no longer
23 paid into the program. However, there are still open claims that are the responsibility of SONGS'
24 co-owners. Further, current and former SONGS workers may be able to initiate a claim under
25 California's Worker's Compensation laws even after the employment related to the claim has
26 ended. Thus, SONGS-related claims for 1972 through 1999 under MIP continue. The MIP
27 remains open until all claims are closed.

28 The SONGS-related MIP costs are included in SCE's revenue requirement for the entire
29 company. SCE does not identify specific SONGS-related MIP costs. SDG&E's TY2016
30 forecast for this cost category is \$229,000, which is the 2012 actual cost billed to SDG&E by
31 SCE for SONGS.

1 **3. SDG&E Capital-Related Costs (Return, Depreciation, Taxes)**

2 SDG&E also seeks recovery of capital-related costs, which includes return on ratebase,
3 depreciation and taxes. These amounts are summarized in the testimony of Khai Nguyen,
4 Summary of Earnings (Exh. SDG&E-36) and shown below in Table MLD-5.

5 **4. SDG&E SONGS Oversight Costs**

6 In D.06-11-026, the Commission ordered SDG&E to enhance its oversight of SONGS.
7 While SDG&E, as a minority owner of SONGS, has limited influence over the operations at
8 SONGS as controlled by SCE, SDG&E continues to incur reasonable and prudently incurred
9 costs related to its SONGS oversight as SONGS transitions to decommissioning. SDG&E’s
10 oversight costs of \$0.590 million (2013\$) are requested in the testimony of SDG&E witness Carl
11 LaPeter, Generation & Resource Planning (Exh. SDG&E-11).

12 **B. SONGS Costs Requested in SCE’S 2015 GRC (i.e., Marine Mitigation)**

13 As mentioned above, SONGS Marine Mitigation costs remain in SCE’s 2015 GRC.
14 These costs are incurred for ongoing projects designed to mitigate the turbidity effects caused by
15 the movement of ocean water used to cool SONGS when it was operational.¹² SCE provides its
16 Marine Mitigation capital additions forecast for SONGS in its 2015 GRC.¹³ SCE bills SDG&E
17 for its 20% share of these costs as capital expenditures.¹⁴

18 One of the Marine Mitigation projects, the San Dieguito Wetlands Restoration, is near
19 completion and pending California Coastal Commission acceptance. The first full year of
20 monitoring for the wetlands was 2012. According to SCE, all performance standards for the
21 wetlands could be met as of 2015 or 2016. The other project, creation of the Wheeler North
22 Reef, was completed in 2009 by which time most, but not all, of the performance standards have
23 been met. According to SCE, in order to meet all required performance standards for the reef,
24 more rock will be added to increase the acreage of the reef.¹⁵

¹² Pursuant to the 1991 Coastal Development Permit and Amendments, maintenance, monitoring, and management of the Marine Mitigation projects is required for the equivalent of the full operating life of SONGS. California Coastal Commission approval of both mitigation projects is still pending.

¹³ SCE presents SONGS Marine Mitigation Costs in its TY2015 GRC workpapers. SDG&E has provided a copy of SCE’s forecast in its Capital workpapers at Exhibit SDG&E-12-CWP-17.

¹⁴ At the time of this filing, the TY2015 SCE GRC remains pending. In the TY2015 SCE GRC, the Commission approved SDG&E’s request to establish a Marine Mitigation Memorandum Account to track Marine Mitigation costs billed by SCE to SDG&E starting January 1, 2015 (AL 2687-E, approved February 23, 2015).

¹⁵ Exhibit SDG&E-12-CWP-17.

1 The Marine Mitigation costs provided in SCE’s forecast of Marine Mitigation direct costs
2 are determined by SCE’s project managers incorporating the assessments and directions of the
3 California Coastal Commission technical advisors. The costs are in nominal dollars and they
4 include the California Coastal Commission monitoring efforts. All costs are loaded with SCE’s
5 contractual overheads (SCE’s labor and non-labor Administrative and General (“A&G”)
6 overheads, and SCE’s Pension and Benefits overhead, SCE’s payroll taxes), which are billed to
7 SDG&E. Table MLD-2 identifies the resulting forecast of SDG&E’s SONGS capital additions
8 for use in this proceeding.

9 These amounts are subject to change pursuant to the Commission's final decision in the
10 SCE 2015 GRC proceeding concerning Marine Mitigation costs. In light of its responsibility for
11 20% of Marine Mitigation costs, SDG&E respectfully requests a finding that SDG&E will be
12 able to update its revenue requirement for its Marine Mitigation-related capital additions,
13 escalation and any other related costs to reflect the Commission’s final authorized amounts
14 established in SCE’s TY2015 GRC or other proceeding.

15 **C. SDG&E SONGS Revenue Requirement**

16 The revenue requirement associated with the SONGS O&M, capital and capital-related
17 costs are summarized in Appendix A of the testimony of Khai Nguyen, Summary of Earnings
18 (Exh. SDG&E-36). Table MLD-5 shows a breakdown of the SONGS revenue requirement as
19 well as rate base and rate of return.¹⁶
20

¹⁶ The Amended Settlement Agreement addresses treatment of these costs through 2014 only. However, these costs will continue after 2014.

TABLE MLD-5
SONGS REVENUE REQUIREMENT
(2016\$, Thousands)

ITEM	AMOUNT
O&M ¹⁷	1,413
Depreciation	853
Taxes, other than on income	60
Income Taxes	332
Return on Ratebase ¹⁸	685
Total Revenue Requirement	3,343
Rate base ¹⁹	8,793

V. SONGS COMMUNITY OUTREACH

The SONGS OII Decision, D.14-11-040, states that “community outreach and education” regarding SONGS “may be addressed in Southern California Edison Company’s ongoing general rate case, Application 13-11-003 and in San Diego Gas & Electric Company’s next general rate case.”²⁰ SDG&E states that the SONGS co-owners have engaged in community outreach and education specific to decommissioning, such as through the establishment and support of the Community Engagement Panel (“CEP”). The CEP is comprised of community representatives and is convened as a volunteer, non-regulatory body to enhance and foster open communication, public involvement and education on SONGS decommissioning activities. The CEP is governed by the charter and principles of decommissioning.

SCE traditionally bills SDG&E for its 20% share of specific SONGS community outreach and education. SDG&E does not expect this practice to change. SDG&E intends to seek authority from the Commission to use nuclear decommissioning trust funds to pay for these decommissioning community outreach and education activities and therefore, SDG&E is not seeking to recover these costs in this GRC.

¹⁷ The O&M Revenue Required presented in Table MLD-5 is comprised of the \$1.064 million for Unit 1 offsite spent fuel storage and \$0.229 million for MIP, plus \$0.120 for FF&U.

¹⁸ The Rate of Return of 7.79% was authorized in D.12-12-034.

¹⁹ Rate base presented in Table MLD-5 consists of Marine Mitigation capital expenditures.

²⁰ D.14-11-040 at OP 2.

1 **VI. SONGS BALANCING ACCOUNT (“SONGSBA”)**

2 In D.06-11-026, the Commission authorized SDG&E to establish the SONGSBA, which
3 allows SDG&E to recover no more and no less than the SONGS costs billed by SCE. The
4 Commission requires SDG&E to maintain the SONGSBA to support SDG&E’s Application
5 concerning 2014 SONGS-related expenses, A.15-02-006, “until ordered to close” the
6 SONGSBA.²¹

7 **VII. CONCLUSION**

8 SDG&E respectfully requests that in this GRC, the Commission authorize the following:

- 9 • \$1.064 million (2016\$) for SONGS Unit 1 offsite spent fuel storage costs;
- 10 • \$0.229 million (2016\$) for MIP litigation expense; and
- 11 • A finding that SDG&E will be able to update its revenue requirement for its 20%
12 share of SONGS-related Marine Mitigation costs and escalation to reflect the
13 Commission’s final authorized amounts established in SCE’s TY2015 GRC or
14 other appropriate proceeding.

15 This concludes my revised prepared direct testimony.

²¹ D.14-11-040 at COL 13.

1 **VIII. WITNESS QUALIFICATIONS**

2 My name is Michael L. De Marco, and I have been employed by San Diego Gas and
3 Electric Company (SDG&E) since May 2007 as Team Leader of the Nuclear Section in the
4 Electric Project Development & Business Planning Department. My current responsibilities
5 include representing SDG&E's ownership interests at SONGS.

6 Prior to working for SDG&E, I worked for Southern California Edison. Previous
7 positions relevant to my testimony include: Nuclear Plant Operator, SONGS (1989 – 2001),
8 Technical Specialist, Nuclear Rate Regulation (2002 – 2003), Senior Financial Analyst, Energy
9 Supply and Management (2003 – 2006), and Senior Project Manager, Power Procurement
10 (2006– 2007). I earned a Bachelor of Science degree in Workforce Education from Southern
11 Illinois University at Carbondale in 1998 and a Master of Business Administration degree from
12 the University of California, Irvine in 2001. I am a registered Project Management Professional
13 with the Project Management Institute.

14 I am sponsoring SDG&E's SONGS O&M and Capital additions testimony. My business
15 address is 8315 Century Park Court, San Diego, California 92123. I have previously testified
16 before this Commission.

APPENDIX A
Glossary of Acronyms

A&G	Administrative and General
DOE	U.S. Department of Energy
IRS	Internal Revenue Service
MIP	Master Insurance Program
NDCTP	Nuclear Decommissioning Cost Triennial Proceedings
SONGS	San Onofre Nuclear Generating Station
SONGSBA	SONGS Balancing Account
SONGSMA	SONGS Memorandum Account

SDG&E 2016 GRC Testimony Revision Log – March 2015

Exhibit	Witness	Page	Line	Revision Detail
SDG&E-12	Mike De Marco	4	5-7	Deleted “If approved by the Commission, t” and added “T...was adopted by the Commission in D.14-11-040 (issued November 25, 2014) and it” and deleted “would”.
SDG&E-12	Mike De Marco	4	7,9	Changed verbs to plural. Added “es” and “s”.
SDG&E-12	Mike De Marco	4	11	Deleted “At the time of this Application’s filing, the Amended Settlement Agreement has not been approved by the Commission. While recognizing that the Commission’s approval of the Amended Settlement Agreement is not guaranteed,”
SDG&E-12	Mike De Marco	4	12,13	Replaced “would be” with “are” and “if” with by. Deleted “is approved”.
SDG&E-12	Mike De Marco	6	Table MLD-3	Changed footnote reference for Escalation from 2 to 3
SDG&E-12	Mike De Marco	6	Table MLD-3	Changed footnote reference for Capital and Related Costs from 3 to 4
SDG&E-12	Mike De Marco	6	Table MLD-3	Changed footnote reference for SDG&E Oversight from 4 to 5
SDG&E-12	Mike De Marco	6	Table Footnotes 1 & 2	Added “. At the time of this filing, the TY2015 SCE GRC remains pending. In the TY2015 SCE GRC, the Commission approved SDG&E’s request to establish a Marine Mitigation Memorandum Account to track Marine Mitigation costs billed by SCE to SDG&E starting January 1, 2015 (AL 2687-E, approved February 23, 2015).” To footnote 1. Edited footnote 2 by deleting “If approved t” and inserting “T” Inserted “, adopted in D.14-11-040,” deleted “will”, inserted “es” on address and inserted “costs” at the end of “Marine Mitigation”.
SDG&E-12	Mike De Marco	9	Footnote 14	Added, “At the time of this filing, the TY2015 SCE GRC remains pending. In the TY2015 SCE GRC, the Commission approved SDG&E’s request to establish a Marine Mitigation Memorandum Account to track Marine Mitigation costs billed by SCE to SDG&E starting January 1, 2015 (AL 2687-E, approved February 23, 2015).”
SDG&E-12	Mike De Marco	10	Footnote 16	Deleted “If approved, t” and added “T”. Deleted “would”. Added “es treatment of”
SDG&E-12	Mike De Marco	11	2	Replaced “PD” with “Decision, D.14-11-040,”
SDG&E-12	Mike De Marco	11	19-21	Added “The Commission requires SDG&E to maintain the SONGSBA to support SDG&E’s Application concerning 2014 SONGS-related expenses, A.15-02-006, “until ordered to close” the SONGSBA.” deleted “SDG&E respectfully requests continuation of the SONGSBA.”

Exhibit	Witness	Page	Line	Revision Detail
SDG&E-12	Mike De Marco	11	25	Added "and"
SDG&E-12	Mike De Marco	11	Footnote 20	Replaced "SONGS OII PD" with "D.14-11-040"
SDG&E-12	Mike De Marco	11	Footnote 21	Added "D.14-11-040 at COL 13."
SDG&E-12	Mike De Marco	12	3,4	Deleted "and" and the entire bullet "Continuation of the SONGSBA"