

Application No.: A.15-02-006
Exhibit No.: SDGE-01-A
Witnesses: Tracy Dalu
Michael L. De Marco
Tim Curtis

UPDATED

PREPARED DIRECT TESTIMONY

IN SUPPORT OF SDG&E's 2014 SONGS COSTS

ON BEHALF OF

SAN DIEGO GAS & ELECTRIC COMPANY

(O&M Billed by SCE to SDG&E, Non-O&M and SDG&E Internal (100%) Costs)

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

April 1, 2015

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**PREPARED DIRECT TESTIMONY
ON BEHALF OF SDG&E¹**

I. SONGS Operating and Maintenance Costs (T. Dalu)

By order of the Commission, this Application must address all San Onofre Nuclear Generating Station (“SONGS”) operations and maintenance (“O&M”) expenses for SDG&E in 2014.² SDG&E is requesting that its SONGS O&M costs billed by Southern California Edison Company (“SCE”) and recorded during the period of January 2014 through December 2014 be deemed reasonable and considered for recovery as part of this review.³ Total SONGS O&M costs billed to SDG&E for the period of January through December 2014 are \$35.153 million; however, due to the fact that seismic studies costs, (included in Ex. SDGE-03-A Table 2) are addressed in other proceedings, they have been excluded for the purposes of this application. As such, total 2014 SDG&E SONGS O&M costs as listed in Ex. SDGE-03-A Table 1 are \$33.8 million.⁴ In addition, as described in the testimony of Mr. Curtis below in Sections I.A, SDG&E was billed by SCE and recorded \$1.42 million in 2014 for two costs (energy for SONGS and nuclear fuel contract cancellation costs). These costs are also shown in SDGE-03-A at Table 1. Therefore, SDG&E respectfully requests the Commission find that SDG&E’s O&M costs as paid to SCE of \$35.22 million in 2014 are reasonable and asks that the Commission authorize recovery of the amount. Because these costs are all related to decommissioning, SDG&E seeks recovery of the costs from its Trust.⁵

¹ Ordering Paragraph 4 of D.14-11-040 requires SDG&E to submit updated testimonies in support of its Updated Application by April 1, 2015. Therefore, SDG&E is providing this Updated SDGE-01-A in compliance with the Commission’s requirement. SDGE-01-A supersedes the previously submitted SDGE-01. The differences between SDGE-01-A and SDGE-01 are tracked in the Change Log provided at the end of this document.

² Decision (“D.”) 14-11-040 at Ordering Paragraph (“OP”) 4.

³ Chapter 3 of this testimony discusses SDG&E’s internal SONGS costs, which are also O&M costs. Nothing in this testimony waives SDG&E’s right to protest future billings by SCE for SONGS costs, or SDG&E’s right to question or audit SCE’s records concerning the 2014 SONGS costs. Furthermore, SDG&E’s Application and accompanying testimony does not waive or obviate SDG&E’s pending protests of SCE invoices for SONGS costs.

⁴ This total amount includes an imbedded allocation of SONGS Pensions & Benefits costs billed by SCE, but does not include other “non-O&M” costs, which are described in the testimony of Mr. Curtis in Chapter 2.

⁵ See Attachment C hereto for the IRS’s Private Letter Ruling and SDG&E’s request finding that costs incurred early in the decommissioning process may be considered “decommissioning” costs, which include fuel contract cancellation costs.

1 SDG&E receives monthly invoices from SCE for its 20% share of SONGS O&M
2 activities segregated by Federal Energy Regulatory Commission (“FERC”) Account. Billed
3 amounts are recorded in the SONGS Balancing Account (“SONGSBA”), as authorized by the
4 Commission.

5 SDG&E’s 2014 revenue requirement of \$121.572 million (excluding Franchise Fees &
6 Uncollectibles) reflects SDG&E’s share of SONGS-related O&M costs provisionally authorized
7 by the Commission in SCE’s Test Year (“TY”) 2012 General Rate Case (“GRC”) D.12-11-051
8 and SDG&E’s TY2012 D.13-05-010. Each month, SDG&E compares 1/12th of the revenue
9 requirement with billings received from SCE in order to calculate the under/over collection. For
10 the period of January through October 2014, SDG&E’s revenue requirement for SONGS O&M
11 totaled \$101.310 million as compared to billings and accruals received from SCE of \$24.317
12 million resulting in an over-collection of \$77.026 million. In accordance with Section 4.9(j)(i) of
13 the SONGS Amended and Restated Settlement Agreement (“Settlement Agreement”) approved
14 by the Commission in the SONGS Order Instituting Investigation (“OII”), I.12-10-013, SDG&E
15 refunded \$77 million to ratepayers through a reduction to the under-collected ERRA balance.⁶

16 SDG&E’s recorded O&M accruals and expenses billed by SCE for November and
17 December 2014 were \$10.836 million. Per section 4.9(j)(ii) of the Settlement Agreement,
18 SDG&E forecasted O&M expenses for November and December 2014 of \$5.1 million and
19 credited the Non-Fuel Balancing Account (“NGBA”) \$15.2 million for the difference between
20 that forecasted amount and the comparable period authorized revenue requirement of \$20.3
21 million.⁷ As required by section 4.9(j)(iii) of the Settlement Agreement, SDG&E will true up the
22 difference between recorded and forecasted O&M amounts of \$5.7 million under-collection via a
23 debit to its NGBA during the first quarter of 2015.

24 For the reasons I discuss in my testimony, Chapter 5 of Ex. SDGE-02-A, SDG&E is
25 unable to provide a breakdown of its 2014 SONGS O&M costs, as billed by SCE, to align with
26 the cost categories in the 2014 Decommissioning Cost Estimate (“DCE”) at this time.⁸ Once
27 SDG&E receives the necessary information from SCE and establishes a new accounting system

⁶ Advice Letter (“AL”) 2672-E, approved March 10, 2015, effective January 1, 2015. See Attachment A hereto for the Settlement Agreement.

⁷ Advice Letter 2672-E, approved March 10, 2015, effective January 1, 2015.

⁸ The Decommissioning Cost Estimate (“DCE”) was previously provided to the Commission as Appendix A-1 to Ex. SCE-01, served in support of A.14-12-017, jointly filed by SDG&E and SCE on December 10, 2014. The DCE is also provided hereto as Attachment B.

1 that will capture costs in accordance with the approved DCE, it will provide supplemental
 2 testimony showing the breakdown of SDG&E's 2014 O&M SONGS costs as billed by SCE, in a
 3 manner consistent with the DCE.

4 **A. Miscellaneous Costs Billed by SCE to SDG&E (T. Curtis)**

5 SDG&E was also billed in 2014 by SCE on invoices separate from the standard O&M
 6 invoice for costs associated with providing energy to SONGS during decommissioning and the
 7 costs to cancel nuclear fuel contracts. Both costs are included in the DCE as decommissioning
 8 costs. However, because of the unforeseen closure of SONGS, SDG&E had not included a
 9 request for an authorized revenue requirement for these costs in its TY2012 GRC, which was
 10 filed December 2012.

Table TLC-01			
SDG&E 2014 DECOMMISSIONING ENERGY & FUEL CANCELLATION COSTS			
(January 2014 to December 2014)			
2014\$	ENERGY FOR SONGS	NUCLEAR FUEL CONTRACT CANCELLATION	TOTAL
RECORDED	\$419,316	\$1,000,000	\$1,419,316
DCE	\$1,243 ⁹	\$3,535,800	\$3,537,043
AUTHORIZED	\$0	\$0	\$0
RECORDED VS. AUTHORIZED VARIANCE	\$419,316	\$1,000,000	\$1,419,316

11 **a. Energy for SONGS**

12
 13 In 2014 SDG&E was billed by SCE \$419,316 for electricity at SONGS. After Units
 14 2&3 shut down in January 2012, the SONGS facility continued to take service, except now
 15 instead of energy coming from an operating Unit 2 or 3, energy had to come into SONGS from
 16 the high voltage transmission system, stepped down via each of the Unit's transformers. For

⁹ SDG&E estimated the DCE estimates for 2014 energy in 2014 using Appendix D of the DCE. The cost periods in the DCE are for longer than the calendar year 2014, as shown on Table 6-1, page 32 of 37 of Appendix D, and thus, SDG&E's approximation of the DCE's estimate for power in 2014 may not accurately reflect the timing intended in the DCE.

1 this load, SCE scheduled electricity and subsequently charged SDG&E at the SONGS default
2 load aggregation point (“DLAP”) wholesale price for its 20% co-ownership share.

3 From June 7, 2013 onward, SONGS will never again produce electricity or operate on a
4 commercial basis. Accordingly, SDG&E believes that because SONGS is no longer operational,
5 an SDG&E retail tariff is the appropriate tariffed rate. This is the same rate charged to the South
6 Bay Power Plant when it was no longer in service and was undergoing decommissioning. This
7 rate is reasonably reflected in the DCE. The reason for the variance between the DCE and
8 SDG&E’s 2014 recorded costs is because SCE continues to bill SCE at a different rate than
9 SDG&E’s retail rate, which is used in the DCE estimate. SDG&E has provided notice to SCE of
10 its intent to bill SCE for its portion of the decommissioning energy for SONGS at the retail rate.
11 SDG&E assumes that any resolution of this issue, including any subsequent true up between
12 SCE’s and SDG&E’s billings, will not alter SDG&E’s recorded 2014 costs but rather be
13 reflected cost records in subsequent years.

14 **b. Nuclear Fuel Contract Cancellation Costs**

15 In 2014 SDG&E was billed by SCE \$1,000,000 for nuclear fuel contract cancellation
16 costs. This includes costs for nuclear fuel contract cancellation costs, including settlement and
17 arbitration costs. The DCE includes these costs as part of decommissioning and the IRS has
18 confirmed these costs are eligible to be paid with trust funds.

19 **II. SONGS Non-Operations & Maintenance Costs (T. Curtis)**

20 By order of the Commission, this Application must also seek recovery for all SDG&E
21 non-operations and maintenance expenses for SONGS in 2014.¹⁰ SONGS Non-O&M costs¹¹ are
22 defined in the Settlement Agreement as all SONGS-related expenses recorded in FERC accounts
23 408, 924, 925, and 926 that are *not*:

- 24 (a) Non-O&M Balancing Account Expenses;
25 (b) Capitalized overhead; *or*
26 (c) Recorded in FERC accounts 517-532.¹²

27 The FERC Uniform System of Accounts¹³ defines account 924 as property insurance,
28 account 925 as injuries and damages (including liability insurance), account 408 as taxes other
29 than income (i.e., property taxes) and account 926 as Pension and Benefits.

¹⁰ D.14-11-040 at OP4.

¹¹ See Settlement Agreement at Para. 2.28.

¹² Settlement Agreement at Para. 2.28.

1 Thus, this Application seeks to recover those costs incurred by SDG&E in 2014 for
2 SONGS Non-O&M costs, specifically:

- 3 • Insurance, including Property and Liability
- 4 • Property Taxes

5 SDG&E’s Pension and Benefit expenses related to SONGS in 2014 are not included in
6 SONGS Non-O&M costs as they are included in SDG&E’s overall Administrative and General
7 (“A&G”) expenses,¹⁴ and therefore not addressed in this testimony.¹⁵

8 The Commission conditionally found SDG&E’s SONGS Insurance (including Property
9 and Liability) and Property Taxes to be reasonable and authorized SDG&E’s revenue
10 requirements for the costs in SDG&E’s 2012 GRC.¹⁶ The particular revenue requirements for
11 these costs, escalated for 2014, appear below in Table TLC-01 as well as in Ex. SDGE-03-A at
12 Table 1.

13 SDG&E incurs property tax directly, while SCE bills SDG&E for insurance. None of
14 these costs were subject for inclusion in the SONGSBA¹⁷ and were therefore unbalanced.
15

¹³ 18 CFR §101.

¹⁴ D.13-05-010 at 896-900 and Findings of Fact (“FOF”) 393 & 394.

¹⁵ However, SDG&E’s share of SONGS Pensions and Benefits costs are imbedded in O&M costs billed by SCE, and are thus included in O&M expenses billed by SCE as described in Chapter 1. Second, SDG&E’s direct Pensions and Benefits related to its SONGS internal labor costs are separately authorized and recovered in SDG&E’s pensions and benefits balancing account. However, the DCE forecast of SDG&E internal labor costs included Pension and Benefits in its calculation, and SDG&E seeks to recover its internal labor costs, including Pension and Benefits, from its Trusts, so SDG&E has provided applicable information in Chapter 3.

¹⁶ D.13-05-010 at 849, 940, and FOF 415. In the SONGS OII Decision, the Commission granted recovery of these costs, with 2014 costs subject to review. See D.14-11-040 at 27 and OP 4. The SDG&E TY2102 GRC Decision also allowed for the preliminary recovery of SONGS costs, subject to review. See D.13-05-010 at FOF 17 and Conclusion of Law 7.

¹⁷ D.06-11-026 allows SDG&E to balance SONGS O&M cost. Insurance and Taxes are A&G expense and were therefore not balanced.

Table TLC-02

**SDG&E 2014 DECOMMISSIONING NON O&M COSTS
(January 2014 to December 2014)**

2014\$	INSURANCE	PROPERTY TAXES	TOTAL
RECORDED	\$(214,350)	\$3,036,944	\$2,822,594
DCE ¹⁸	\$946	\$393	\$1,339
AUTHORIZED IN GRC	\$1,948,000	\$3,136,000	\$5,084,000
RECORDED VS. AUTHORIZED VARIANCE	\$(2,162,350)	\$(99,056)	\$(2,261,406)

SDG&E respectfully requests the Commission to find that SDG&E’s non-O&M costs of \$2,822,594 in 2014 are reasonable and asks that the Commission authorize recovery of the amount. Because these costs are related to decommissioning, SDG&E seeks recovery of the costs from its Trust.

A. Insurance

In 2014, SDG&E recorded insurance of \$-214,350 (a credit). SDG&E pays SONGS nuclear property and liability insurance cost through policies held by SCE with Nuclear Electric Insurance Limited (“NEIL”). Non-nuclear property and liability insurance is held by SCE through a variety of insurers and brokers. SDG&E is billed for its share of insurance policy costs by SCE.¹⁹ In SDG&E’s TY2012 GRC, the Commission found SDG&E’s revenue requirement request of \$1.02 million for SONGS property insurance and \$0.827 million for liability insurance to be reasonable.²⁰ Updated to 2014\$, SDG&E’s authorized 2014 property insurance revenue requirement was \$1.076 million and liability insurance was \$0.872 million.

In 2014, SDG&E recorded property insurance expense of \$-298,812 (credit) for nuclear and non-nuclear property insurance, including \$71,000 in accruals. SDG&E recorded non-nuclear liability insurance expenses of \$84,462, including \$42,200 in accruals, in 2014. The

¹⁸ DCE estimates for Insurance and Property Taxes for 2014 were estimated based on Appendix D of the DCE. The cost periods used in the DCE are longer than the calendar year 2014 (see DCE at Table 6-1 and Appendix D at 32) and therefore, may not accurately reflect the timing of costs intended by the DCE.

¹⁹ Includes workers’ compensation.

²⁰ D.13-05-010 at 849. See also the testimony of Maury B. DeBont at Ex. SDG&E-24 in SDG&E’s 2012 GRC, A.10-12-006. His testimony addresses SONGS property insurance in Section II. A-3 and SONGS liability insurance in Section II. B-6.

1 accrual was needed as SCE has not yet invoiced SDG&E for a portion of non-nuclear property
2 insurance.²¹ SDG&E's 2014 SONGS insurance expense information will be updated upon
3 invoicing from SCE.

4 **B. Taxes**

5 SDG&E property taxes related to its ownership interest in SONGS are assessed by the
6 California State Board of Equalization ("SBE").²² Because SDG&E is a regulated public utility,
7 its property taxes are assessed by the SBE as an entire unit. The SBE allocates SDG&E's total
8 unitary property tax assessment to the various Counties where SDG&E's property is located. The
9 Counties issue property tax bills based on the State's allocation of SDG&E's property tax
10 assessment to each County. SDG&E pays the property taxes directly to the Counties.

11 SDG&E's authorized 2014 revenue requirement for SONGS property taxes is \$3.136
12 million (\$2014).²³ SDG&E is assessed property tax as a whole, not for SONGS specifically. As
13 described in the preceding paragraph, SDG&E prepares an offline calculation treating SONGS as
14 a standalone unit to arrive at the property tax for applicable specifically to SONGS. SDG&E's
15 2014 recorded property tax paid for SONGS based on the offline calculation is \$3.037 million.
16 This amount consists of the second installment of the tax year 2013-14 property taxes (January –
17 June 2014) that were paid in April 2014. It also includes the first installment of the tax year
18 2014-15 property taxes (July 2014 – December 2014) that were paid in December 2014.

²¹ The accrued expense represents an expense that has already been incurred, for which we have not received the invoice yet, thus not paid yet. The accrual is necessary so that our financial statements are accurate and include all expenses incurred.

²² The testimony of Randall G Rose in the TY2012 GRC, SDG&E-34, addressed property taxes.

²³ D.13-05-010 at 940, and FOF 415.

1 **III. SDG&E Only Costs (De Marco)**

2 In 2014, SDG&E incurred “SDG&E only” expenses necessary to carry out its oversight
3 role at SONGS as well as SDG&E’s decommissioning expenses. SDG&E incurred all of these
4 costs itself (100%). It did not receive bills from SCE for any of these costs. In addition, none of
5 these costs fall into the “non-O&M” categories.

6 The first type of SDG&E-only costs are SDG&E internal costs associated with oversight
7 and the second type (discussed below in Section III.B by Mr. Curtis), are costs associated with
8 easement payments to the Navy.

9 SDG&E respectfully requests the Commission to find that SDG&E’s total for “SDG&E-
10 only” costs of \$1.34 million in 2014 are reasonable and asks that the Commission authorize
11 recovery of the amount. Because these costs are all related to decommissioning, SDG&E intends
12 to seek Commission approval authorizing the recovery of the costs from its Nuclear
13 Decommissioning Trust funds.

14 **A. Overview of SDG&E Internal Costs**

15 SDG&E incurred \$1.32 million in 2014 for internal costs. SDG&E historically provided
16 oversight of SCE’s activities at SONGS when it was generating electricity. As SONGS begins
17 decommissioning, SDG&E’s oversight role continues in a similar fashion. As it undertakes
18 these oversight activities, SDG&E continues to incur reasonable and prudently incurred costs
19 related to its SONGS oversight.

20 In addition, as a result of the commencement of decommissioning, SDG&E has begun
21 incurring new types of SDG&E internal (100%) costs that it had not previously encountered.
22 These costs include the retention of an outside decommissioning industry expert, outside counsel
23 costs associated with the negotiations of the SONGS Decommissioning Agreement with the
24 SONGS co-owners, and outside counsel costs related to state and federal decommissioning
25 requirements.

26 SDG&E’s actual internal costs in 2014 are shown in the following table MLD-01 as
27 compared to SDG&E’s authorized revenue requirement (\$2014) from the TY2012 GRC and
28 described below. To make an “apples to apples” comparison, SDG&E’s actual costs and
29 authorized revenue requirements shown in Table MLD-01 include Vacation and Sick Time, but
30 exclude Pensions and Benefits, purchasing overheads, state tax, and federal tax because such
31 costs were not included in SDG&E’s authorized revenue requirement for this particular cost.

1

Table MLD-01 (2014\$) SDG&E Internal Costs Recorded v. Authorized					
	LABOR	NON-LABOR			TOTAL
		CONSULTANT	OUTSIDE LEGAL	MISC.	
Actual Expenditures	\$352,105	\$59,013	\$687,665	\$13,334	\$1,112,117
Authorized Rev. Req.	\$232,043	\$0	\$0	\$8,931	\$240,974
Variance	\$120,062	\$59,013	\$687,665	\$4,403	\$871,143

2 The next table, Table MLD-02, shows SDG&E's actual internal costs compared to the
3 DCE estimate of SDG&E's internal costs in 2014. SDG&E's actual costs and the DCE Estimate
4 shown in Table MLD-02 include Pensions and Benefits, purchasing overheads, state tax, and
5 federal tax. If these costs are found to be reasonable by the Commission and their recovery from
6 the SDG&E Trust is approved, SDG&E will seek disbursements from the trust for \$1.32 million
7 of SDG&E internal costs as shown in Table MLD-02.

Table MLD-02 (2014\$) SDG&E Internal Costs Recorded v. DCE Estimated					
	LABOR	NON-LABOR			TOTAL
		CONSULTANT	OUTSIDE LEGAL	MISC.	
Actual Expenditures	\$558,792	\$59,534	\$687,665	\$13,452	\$1,319,443
DCE Estimate for 2014	\$719,000	\$150,000	\$549,000	\$38,000	\$1,456,000
Variance	\$(160,208)	\$(90,466)	\$138,665	\$(24,548)	\$(136,557)

8

9

a. SDG&E Labor Costs

10 In 2014, SDG&E incurred labor costs for personnel directly involved in carrying out its
11 role in overseeing and reviewing activities at the plant (slightly less than 3 Full-Time
12 Equivalents). Many of SDG&E's labor oversight efforts during decommissioning are very
13 similar to its efforts during operations. For example, SDG&E continues to retain a site
14 representative (myself) at the SONGS worksite to review day-to-day decommissioning activities
15 and progress, and provide contact and interaction with SONGS decommissioning management

1 and personnel. My testimony, provided as Chapter 2 of Ex. SDGE-02-A, describes my role in
2 more detail.

3 Similar to SDG&E's oversight efforts during operations, SDG&E continues to retain a
4 Financial Project Manager (Mr. Curtis), to review invoices and track expenditures against SCE-
5 internal budgets, including those for O&M, capital and fuel contracts, and property leasing
6 considerations. Mr. Curtis describes his efforts in more detail in Chapter 4 of Ex. SDGE-02-A.

7 Now that SONGS is decommissioning, SDG&E is also incurring new types of labor costs.
8 For example, the SONGS Operating Agreement is no longer applicable to SONGS now that the
9 facility is decommissioning. Therefore, in 2014, SDG&E expended additional labor costs to
10 negotiate the business attributes for a new decommissioning agreement amongst the SONGS
11 parties responsible for decommissioning.

12 As shown in Table MLD-01 above, SDG&E-only internal labor expenses in 2014 were
13 higher than its TY2012 GRC authorized revenue requirement. The additional labor expenses are
14 due to SONGS' closure and transition to decommissioning, which required the attention of
15 additional SDG&E labor beyond what had been contemplated in SDG&E's TY2012 GRC.

16 As shown in Table MLD-02 above, SDG&E-only internal labor expenses in 2014 were
17 lower than what was forecast in the 2014 DCE. The DCE forecast for SDG&E internal costs in
18 2014 was created in mid-2014. The lower labor expense between the DCE forecast and actual
19 costs is due to forecast variance in that actual labor costs were less than forecast.

20 **b. SDG&E Non-Labor Costs**

21 SDG&E internal non-labor costs in 2014 primarily concerned the use of outside
22 decommissioning experts. To supplement its decommissioning oversight, SDG&E retained an
23 external nuclear plant decommissioning consultant (Mr. Levin) to provide an independent
24 assessment of SCE's decommissioning activities. Mr. Levin's testimony on the subject is
25 provided as Chapter 3 in Ex. SDGE-02-A.

26 In addition, SDG&E retained outside legal counsel to provide expert advice and assistance
27 during the drafting of the SONGS Decommissioning Agreement and other decommissioning
28 issues for SDG&E related to state and federal decommissioning requirements.

29 The differences between SDG&E 2014 internal non-labor actual expenditures and the
30 TY2012 GRC authorized revenue requirement are due to SONGS transitioning from an
31 operating plant to a decommissioning plant. The closure of SONGS and commencement of

1 decommissioning was not contemplated during the TY2012 GRC. Thus, the need for
2 decommissioning consultants, decommissioning outside counsel and the need to negotiate a
3 Decommissioning Agreement among the SONGS’ owners, had not been contemplated during
4 SDG&E’s TY2012 GRC.

5 The higher actual non-labor costs compared to the DCE forecasted non-labor cost is due to
6 higher outside legal costs than what was anticipated when the forecast was created in mid-2014,
7 primarily due to unexpectedly prolonged Decommissioning Agreement negotiations.

8 **B. Easement Costs (T. Curtis)**

9 In 2014, SDG&E recorded \$20,147 for its easements billed to SDG&E by the U.S. Navy
10 for SONGS. SONGS resides on easements and/or land leased from the U.S. Department of the
11 Navy.²⁴ The SONGS Plant Site Easement (the Plant side) currently requires SONGS to return
12 the land to its original condition at the conclusion of decommissioning.²⁵ SDG&E is billed
13 directly by the Navy for the easements. SDG&E receives an authorized revenue requirement for
14 easement costs associated with SONGS in its GRC.

15

ACTUAL EXPENDITURES	\$20,147
DCE ESTIMATE	\$0
AUTHORIZED IN DCE	\$20,147
RECORDED VS. AUTHORIZED VARIANCE	\$0

²⁴ There are several leases for which SDG&E is billed by SCE for its portion, and those costs are incorporated into the general SONGS O&M amount. For example, the lease agreement (Mesa side) currently requires SONGS to remove all of the buildings unless the U.S. Navy requests otherwise. “SONGS Shutdown and Decommissioning”, CA Senate Energy, Utilities and Communications Committee, August 13, 2013. <http://seuc.senate.ca.gov/sites/seuc.senate.ca.gov/files/08-13-13Edison.pdf>. Additionally, SONGS maintains a lease with State of California State Lands Commission (“CSLC”), providing access from the Plant site into the Pacific Ocean for SONGS’ cooling water supply and discharge conduits. San Onofre Nuclear Generating Station Units 2&3 Post-Shutdown Decommissioning Activities Report at 13. <http://www.songscommunity.com/docs/PSDARRevisionAugust2014.pdf>.

²⁵ “SONGS Shutdown and Decommissioning”, CA Senate Energy, Utilities and Communications Committee, August 13, 2013. <http://seuc.senate.ca.gov/sites/seuc.senate.ca.gov/files/08-13-13Edison.pdf>.

WITNESS QUALIFICATIONS

Tracy M. Dalu

Tim Curtis

Michael L. De Marco

1 **Witness Qualifications of Tracy M. Dalu**

2 My name is Tracy M. Dalu and my business address is 8330 Century Park Court, San
3 Diego, California 92123. I am a CPA and the Generation Accounting Supervisor at SDG&E.
4 My primary responsibilities are to provide accounting and reporting for all SDG&E owned
5 generation facilities including SONGS and to provide financial information to support legal and
6 regulatory filings. I also am responsible for the accounting and financial reporting of Ex.
7 SDGE's asset retirement obligations and ensuring that SDG&E is in compliance with Securities
8 Exchange Commission (SEC) and regulatory reporting requirements. I have been in my current
9 role since May of 2010. I began work at Sempra Energy in May 2002 as an accountant for
10 Sempra Energy's Global division and was responsible for the financial reporting of their
11 generation fleet. My responsibilities included preparing financial statements, consolidations,
12 cash flows, variance analysis and ensuring compliance with SEC reporting. Prior to my career at
13 SDG&E I spent three years working as an auditor for PriceWaterhouse Coopers. I graduated
14 from San Diego State University in 1994 with a Bachelor of Science in Business Administration
15 (Accounting emphasis) and obtained my CPA license in 2001.

16 The purpose of my testimony in this proceeding is to describe SDG&E's O&M costs, as
17 billed by SCE, and explain SDG&E's accounting and tracking of 2014 SONGS costs. I am
18 sponsoring Chapter 1 in Ex. SDGE-01-A and Chapter 5 in Ex. SDGE-02-A in support of the
19 Application. This material was personally reviewed by me and I believe it to be correct that it is
20 factual in nature. Insofar as the material is in the nature of opinion or judgment, it represents my
21 best judgment.

22 I have previously testified before this Commission.
23

1 **Witness Qualifications of Timothy L. Curtis**

2 My name is Timothy L. Curtis, and my business address is 8315 Century Park Court, San
3 Diego, California 92123. I have been employed by SDG&E or Sempra Energy since March
4 1982. My current position is SONGS Financial Project Manager in the Electric Project
5 Development & Business Planning Department. My current responsibilities include representing
6 SDG&E's budget and accounting interests at SONGS. I am also SDG&E's alternate SONGS
7 site representative.

8 I was promoted to my current position in July 2008. Previous positions at
9 SDG&E/Sempra Energy include Staff Accountant (1982-1984), Sundry Accounts Receivable
10 Supervisor (1984-1986), Senior Accounting Analyst (1986-1989), Auditor (1989-1993), Senior
11 Auditor (1993-2000), Senior Budget Analyst (2000-2005) and Senior Energy Administrator-
12 Nuclear (2005-2008). I earned a Bachelor of Business Administration degree from the
13 University of San Diego in 1977, a Master of Business Administration degree from Loyola
14 Marymount University in 1981 and a Master of Science in Accountancy from San Diego State
15 University in 1988. I am a Certified Public Accountant (CPA), California, a Certified Internal
16 Auditor (CIA), granted by the Institute of Internal Auditors and a Certified Management
17 Accountant (CMA), granted by the Institute of Management Accountants.

18 The purpose of my testimony in this proceeding is to describe SDG&E's Non-O&M
19 costs and explain my oversight of SCE's SONGS costs. I am sponsoring Chapter 2 in SDGE-01-
20 A and Chapter 4 in SDGE-02-A in support of the Application.

21 This material was personally reviewed by me and I believe it to be correct that it is
22 factual in nature. Insofar as the material is in the nature of opinion or judgment, it represents my
23 best judgment. I have not previously testified before this Commission.
24

1 **Witness Qualifications of Michael L. De Marco**

2 My name is Michael L. De Marco and my business address is 8315 Century Park Court,
3 San Diego, California 92123.

4 I have been employed by SDG&E since May 2007 as Team Leader of the Nuclear
5 Section in the Electric Project Development & Business Planning Department. My current
6 responsibilities include representing SDG&E's ownership interests at SONGS.

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

15 The purpose of my testimony is to describe SDG&E's internal (100%) SONGS costs in
16 2014 and provide an overview of SDG&E's oversight actions at SONGS, as well as my role as
17 SDG&E's representative at the site. I am sponsoring Chapter 3 in SDGE-01-A and Chapters 1
18 and 2 in Ex. SDGE-02-A in support of the Application.

19 This material was personally reviewed by me and I believe it to be correct that it is
20 factual in nature. Insofar as the material is in the nature of opinion or judgment, it represents my
21 best judgment.

22 I have previously testified before this Commission.
23

Change Log of SDGE-01-A (April 1, 2015)

Exhibit	Witness	Page	Line	Revision Detail
SDGE-01-A		Cover		Inserted Application number "A.15-02-006"
SDGE-01-A		Cover		Changed "SDG&E-01" to "SDG&E-01-A"
SDGE-01-A		Cover		Added "Updated"
SDGE-01-A		Cover		Changed "January 30" to "April 1"
SDGE-01-A		1	FN1	Inserts FN1 concerning the Commission's orders to file this updated testimony
SDGE-01-A	T. Dalu	1	12	Changed "33.75 million" to "33.8 million"
SDGE-01-A	T. Dalu	2	11	Inserted "and accruals"
SDGE-01-A	T. Dalu	1	13-19	Inserted information about two additional SONGS costs (energy for SONGS and nuclear fuel contract cancellation costs) billed by SCE and changes "\$33.8 million" to "35.22 million"
SDGE-01-A	T. Dalu	2	16	Inserted "accruals and"
SDGE-01-A	T. Dalu	2-3	2:27-3:1	Inserted ". . . SCE and establishes a new accounting system that will capture costs in accordance with the approved DCE"
SDGE-01-A	T. Dalu	2	FNs 6 & 7	Both changed to "Advice Letter ("AL") 2672-E, approved March 10, 2015, effective January 1, 2015"
SDGE-01-A	T. Curtis	3-4	3:4-4:18	Inserts two new subsections and Table TLC-0 1 for "Energy to SONGS" and "Nuclear Fuel Contract Cancellation Costs"
SDGE-01-A	T. Curtis	6 (Table TLC-02)		Changed Recorded Insurance from "\$300,000" to "\$214,350." Added Recorded Property Taxes "\$3,036,944." Added DCE Insurance "\$946"; added DCE Property Taxes "\$393"; Added Authorized in GRC "\$1,948,000"; Added

				Authorized in GRC Property Taxes “\$3,136,000.”
SDGE-01-A	T. Curtis	6	7	Added “In 2014, SDG&E recorded insurance of \$-214,350 (a credit).”
SDGE-01-A	T. Curtis	6	FN18	Added FN explaining issues with deriving estimates from the DCE
SDGE-01-A	T. Curtis	5		Delete Table TLC-02
SDGE-01-A	T. Curtis	6		Delete Table TLC-03
SDGE-01-A	M. De Marco	8	15	Changed “1,323,355 million” to “1.32 million”
SDGE-01-A	M. De Marco	8	15	Inserted “SDG&E incurred \$1.32 million in 2014 for internal costs”
SDGE-01-A	M. De Marco	8	30	Inserted “purchasing overheads”
SDGE-01-A	M. De Marco	8	6-8	Inserted “The first type of SDG&E-only costs are SDG&E internal costs associated with oversight and the second type (discussed below in Section III.D by Mr. Curtis), are costs associated with easement payments to the Navy.”
SDGE-01-A	M. De Marco	9 (Table MLD-01)	1	Changed Actual Expenditures – Labor from \$305,007 to \$352,105; Consultant from \$61,642 to \$59,013; Misc. from \$10,703 to \$13,334 Actual Expenditures Total - Changed from \$1,065,017 to \$1,112,117
SDGE-01-A	M. De Marco	9 (Table MLD-02)	7	Changed Actual Expenditures – Labor from \$561,334 to \$558,792; Consultant from \$63,558 to \$59,534; Misc. from \$10,798 to \$13,452 Actual Expenditures Total - Changed from \$1,323,355 to \$1,319,443
SDGE-01-A	M. De Marco	9 (Table MLD-02)	7	Changed DCE Estimate for 2014–Consultant from

				\$151,000 to \$150,000; Misc. from \$10,798 to \$38,000 Actual DCE Estimate Total - Changed from \$1,457,000 to \$1,456,000
SDGE-01-A	M. De Marco	9	4	Deleted "Vacation and Sick Time as well as" and inserted "purchasing overheads"
SDGE-01-A	M. De Marco	9	7	Changed "MLD-01" to "MLD-02"
SDGE-01-A	M. De Marco	11	1	Changed "SONGS moving" to "due to SONGS transitioning"
SDGE-01-A	T. Curtis	11	10	Inserted section on easement costs