

Investigation No.: I.12-10-013  
Exhibit No.: SDGE-07  
Witness: Michael L. De Marco

**PREPARED REBUTTAL TESTIMONY OF  
MICHAEL L. DE MARCO  
ON BEHALF OF  
SAN DIEGO GAS & ELECTRIC COMPANY**

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

**April 22, 2013**

1 **PREPARED REBUTTAL TESTIMONY**

2 **OF**

3 **MICHAEL L. DE MARCO**

4 **I. INTRODUCTION**

5 The purpose of my rebuttal testimony is to respond to: 1) the Joint Parties' ("JPs")  
6 witness Faith Bautista's testimony proposing a new San Diego Gas & Electric Company  
7 ("SDG&E") outreach program, 2) the World Business Academy ("WBA") witness  
8 Rinaldo Brutoco's testimony regarding certain San Onofre Nuclear Generating Station  
9 ("SONGS") costs incurred during shutdown, and 3) The Utility Reform Network  
10 ("TURN") witness William Marcus regarding seismic costs.

11 **II. JOINT PARTIES**

12 The JPs seek to require that SDG&E create a SONGS Community Outreach and  
13 Education program. Southern California Edison ("SCE" or "Edison"), as the plant  
14 operator and majority owner, already conducts outreach programs and open houses in  
15 northern San Diego and southern Orange Counties. If JPs wish to expand this outreach  
16 within SDG&E's service territory, it should make the request to SCE. The scope of  
17 Phase I in the Order Instituting Investigation ("OII") includes "[a] review of the  
18 reasonableness and effectiveness of SCE's actions and expenditures for community  
19 outreach and emergency preparedness related to the SONGS outages."<sup>1</sup> SDG&E should  
20 not be required to duplicate a similar program that results in unnecessary costs that would  
21 be an inefficient use of ratepayer funds.

22 Indeed, SDG&E's proposed 2012 General Rate Case ("GRC") decision agrees  
23 that such a duplicative outreach proposed by the JPs is unnecessary and directs the JPs to

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<sup>1</sup> Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge Determining The Scope, Schedule and Need for Hearing in Phase 1 of This Proceeding (January 28, 2013), page 4.

1 request from SCE, the plant operator, an expanded outreach in SDG&E's service  
2 territory. "As the testimony shows, SCE conducts outreach programs in the communities  
3 near the SONGS plant, and SDG&E pays its share of these outreach programs to SCE.  
4 We agree with SDG&E that to impose a SONGS-related community outreach program  
5 on SDG&E would be duplicative of what SCE already does, and would result in an  
6 unnecessary program and costs that would be borne by SDG&E's ratepayers. To the  
7 extent the Joint Parties believe that the community outreach programs regarding SONGS  
8 should be expanded, that is an issue the Joint Parties should have raised in SCE's GRC  
9 proceeding."<sup>2</sup>

10 The JPs' telephone survey of 161 ratepayers was limited in scope to only  
11 SDG&E's service territory. Based on the description of the survey provided in JPs  
12 testimony, it is not possible to determine whether the survey is relevant in evaluating the  
13 effectiveness of SCE's outreach. Only the northern portion of SDG&E's San Diego  
14 County service territory is included in SCE's Community Outreach program because the  
15 remainder is outside of the Emergency Preparedness Area. The Emergency Preparedness  
16 Zone extends for a 10 mile perimeter around SONGS which is primarily in SDG&E's  
17 and SCE's Orange County service territory.

18 SCE's OII Testimony in SCE-4 lists an extensive outreach program and  
19 emergency preparedness activities within the Emergency Preparedness Area,<sup>3</sup> which  
20 included 17 outreach presentations, 70 speaking engagements, mailers to 60,000 homes  
21 and 12 opportunities for the public to learn about SONGS by visiting the SONGS  
22 simulator. SDG&E requests that the JPs contact SCE and work with them to further

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<sup>2</sup> Application ("A.")10-12-005 SDG&E's 2012 GRC Proposed Decision, page 689.

<sup>3</sup> A.13-01-016, SCE-4, pages 4-11.

1 increase the effectiveness of an already robust SONGS community outreach and  
2 emergency preparedness program.

3 **III. WORLD BUSINESS ACADEMY**

4 WBA witness, Rinaldo Brutoco fails to understand how SONGS costs can  
5 continue to be reasonably incurred during shutdown and therefore should not be subject  
6 to refund. Consequently, Mr. Brutoco's testimony mischaracterizes the circumstances at  
7 SONGS. WBA's analysis uses a lease analogy that is inappropriate in evaluating  
8 SONGS' status and costs incurred. WBA's characterization that SONGS is "destroyed"  
9 or a "fully destroyed commercial facility" is incorrect at its core and therefore the  
10 analogy is flawed, as are WBA's conclusions drawn from it.<sup>4</sup> SONGS is not a leased  
11 asset, but rather a utility asset under the California Public Utilities Commission ("CPUC"  
12 or "Commissson") Cost of Service model. The Cost of Service model includes recovery  
13 of the asset retirement obligation as a reasonable and prudently incurred cost.

14 WBA's argument asserts that because SONGS is not generating electricity,  
15 various systems are not used or useful. Contrary to that assertion, these very systems are  
16 required to maintain the facility safely shutdown and compliant with federal regulations.  
17 Therefore these costs are used and useful, reasonably incurred, and recoverable from  
18 ratepayers.

19 These same systems are required regardless of SONGS' operational status.  
20 Moreover, they are required to operate until the fuel at SONGS is safely removed from  
21 the spent fuel pools and placed in dry cask storage. This is because the fuel must be cool  
22 enough, both radiologically and thermally, to be placed in passive dry cask storage. This  
23 cooling process is estimated to require a decade or more. It is not reasonable or logical to

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<sup>4</sup> WBA Testimony of Rinaldo S. Brutoco, page 7:23 - 8:4-5.

1 refuse recovery of costs that would have been deemed reasonably incurred and  
2 recoverable from ratepayers for maintaining the facility safely shutdown and compliant  
3 with federal regulations.

4 WBA simply assumes that neither SONGS unit will ever restart and does not  
5 address SCE's Unit 2 restart proposal and license amendment requests to the Nuclear  
6 Regulatory Commission ("NRC"). Both requests have been accepted by the NRC and  
7 are currently under evaluation. SCE also plans to evaluate the Unit 3 restart requirements  
8 after Unit 2 restarts.

9 WBA ignores that the Operations and Maintenance (O&M) costs incurred in 2012  
10 included costs to inspect the steam generator tubes and remove designated tubes from  
11 service. WBA's claims that incurring cost to repair the steam generators which resulted  
12 in higher than forecast costs than granted in SCE's 2012 GRC "defies logic".<sup>5</sup> SCE's  
13 justification for 2012 costs are that they are required to maintain and continue to operate  
14 systems according to technical specifications that are required by the NRC operating  
15 license. Nowhere does WBA suggest which costs are not needed to maintain and operate  
16 systems in compliance with NRC license requirements. WBA simply asserts without  
17 basis that SCE has "alleged the necessity" without providing specific examples where  
18 SCE has incurred costs beyond those required to maintain and operate systems in  
19 compliance with the NRC operating license.<sup>6</sup> WBA's testimony states that SCE has  
20 provided "voluminous data",<sup>7</sup> while in the preceding paragraph states that SCE has not

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<sup>5</sup> *Id.*, page 8:20.

<sup>6</sup> *Id.*, page 8:23.

<sup>7</sup> *Id.*, page 9:7.

1 supported its assertion in the record “at this time”.<sup>8</sup> These statements from WBA appear  
2 to be contradictory.

3 WBA also asserts that because SONGS is not generating electricity, that  
4 somehow like an assembly line shutdown for the model changeover, that workers are not  
5 needed to maintain and continue to operate systems in accordance with technical  
6 specifications that are required by the NRC operating license. SCE conducted refueling  
7 operations, inspected equipment, performed maintenance on equipment, and removed  
8 steam generator tubes from service. Personnel are required to perform these tasks;  
9 perhaps WBA misunderstands “why not one single significant headcount reduction could  
10 be identified”.<sup>9</sup> It is logical and reasonable to expect that personnel are compensated for  
11 the necessary and required additional work during a refueling and maintenance outage.  
12 Yet WBA asserts this defies logic. In summary, the position and arguments of WBA  
13 hinge on the assertion that SONGS is a “fully destroyed commercial facility” that will  
14 never restart and never produce electricity again. WBA then concludes that ratepayers  
15 have no obligation under Cost of Service to maintain systems needed for safe shutdown,  
16 regardless of the operational status of SONGS. SONGS is not a “fully destroyed  
17 commercial facility” and personnel and equipment are required to maintain the facility  
18 safely and in compliance with federal regulations. WBA arguments, assertions and  
19 conclusions are false, meritless, and should be completely disregarded.

#### 20 **IV. TURN**

21 TURN’s witness William Marcus recommends that the Commission suspend  
22 SCE’s authority to collect any future revenues for seismic studies related to the

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<sup>8</sup> *Id.*, page 8:26.

<sup>9</sup> *Id.*, page 9:8-10.

1 relicensing of the plant and eliminate any seismic O&M expenditures already incurred in  
2 Edison balancing accounts in current rates.<sup>10</sup>

3 SCE requested cost recovery for Seismic and Tsunami Studies in its 2012 GRC.  
4 However, the Commission ordered SCE to remove the request from its GRC and request  
5 separate funding to expedite the seismic and tsunami studies following the Japan  
6 earthquake and tsunami in order to assure public and worker safety.<sup>11</sup> SCE complied and  
7 separated the seismic and tsunami studies into a separate filing. SDG&E then filed an  
8 application with the CPUC seeking approval and cost recovery of its 20% share of  
9 funding for the seismic programs and studies at SONGS.<sup>12</sup> In Decision (“D.”)12-05-004,  
10 the Commission authorized the SONGS 2 & 3 seismic and tsunami studies.

11 Mr. Marcus references these same seismic and tsunami studies, which are not for  
12 SONGS license renewal, in D.12-05-004. TURN’s request in this proceeding indicates a  
13 fundamental misunderstanding of the purpose of the SONGS seismic studies. The seismic  
14 studies are required for the following reasons:

15 1) The NRC ordered the seismic studies to address potential seismic-safety issues  
16 following the massive earthquake and resulting tsunamis in Japan. The operating  
17 status of SONGS is irrelevant. The design basis for the SONGS license requires  
18 demonstration to the NRC that the plant’s structures, systems and components  
19 deemed important-to-safety can withstand ground motion from an earthquake  
20 capable of happening at or near the plant with an added safety margin.<sup>13</sup>

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<sup>10</sup> TURN Testimony of William B. Marcus, page 8:4-7.

<sup>11</sup> Scoping Memo and Ruling of Assigned Commission (March 1, 2011), A.10-11-015 SCE’s 2012 GRC.

<sup>12</sup> Application to Recover O&M Costs for Seismic Program and New Seismic Research, SCE-1, A.11-04-006.

<sup>13</sup> 10 CFR Part 50, Appendix A, General Design Criteria 2, See also 10 CFR Part 50, Appendix X.

1 The NRC initially required licensees of nuclear facilities to complete an  
2 individual plant examination of external events (IPEEE) for severe accident  
3 vulnerabilities, which SCE completed in 1995 during the Probabilistic Seismic  
4 Hazard Analysis (PSHA)<sup>14</sup> studies.

5 The recent NRC mandated site-specific hazard analyses and assessments are to  
6 ensure the public's radiological health and safety following a seismic event. SCE  
7 was directed to develop an updated PSHA based on more recent seismic and  
8 flooding information. This action taken by the NRC was a direct result of the  
9 events in Japan regarding the Fukushima nuclear plants. The studies SCE is  
10 conducting will include ground motion modeling and assessing the potential for a  
11 tsunami impacting SONGS following an off shore seismic event.

12 2) Moreover, the CEC's AB 1632 report made a number of recommendations  
13 related to SONGS stating that "SCE should develop an active seismic hazards  
14 research program for SONGS similar to PG&E's Long Term Seismic Program to  
15 assess whether there are sufficient design margins at the nuclear plant..."<sup>15</sup>

16 Consistent with the CEC, the Commission also mandated in D.12-05-004 that  
17 SCE reassess the SONGS 2 & 3 seismic conditions, including tsunami  
18 assessments.<sup>16</sup> For SCE to comply with AB 1632, the existing seismic analysis  
19 was updated to include additional GPS sensors and 3D mapping of the ocean floor  
20 in front of SONGS.

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<sup>14</sup> 1995 PSHA was completed by Risk Engineering with seismic source characterization work by Geomatrix, Inc and ground motion attenuation relationships by Wodddward-Clyde Consultants, Inc. The most recent review of the PSHA was completed in 2010 by AMEC Geomatrix, Inc and Fugro Inc.

<sup>15</sup> CEC's AB 1632 – Nuclear Power Plant Assessment, p. 9.

<sup>16</sup> D.12-05-004, Findings of Fact 1 & 2, page 16 and Conclusions of Law 2, page 18.



1           3) SCE has conducted seismic studies as part of an on-going requirement to  
2           periodically update the seismic evaluation in the vicinity of the facility. However  
3           the newly mandated seismic studies would include enhanced data gathering and  
4           analysis technologies which would provide a more complete assessment of the  
5           potential of the seismic event and/or a tsunami occurring that would strike  
6           SONGS. Funding was, and still is, needed to continue this important work.

7           Mr. Marcus has mischaracterized the purpose of the seismic studies program and  
8           implies this work is optional. On-going studies had originally been funded in prior SCE  
9           GRC's (2009) and a request for continued funding was included in SCE's 2012 GRC  
10          A.10-11-015. Clearly these original studies and recently mandated additional studies at  
11          state and federal levels are to ensure the safety of public following the Fukushima tragedy  
12          and not to relicense SONGS. To discontinue this work as Mr. Marcus requests is counter  
13          to these mandates.

14          This concludes my prepared rebuttal testimony.