

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

San Diego Gas & Electric Company's
(U902-E) Application for a Reasonableness
Determination of 2012 Costs Recorded in
the San Onofre Nuclear Generating Station
Memorandum Account (SONGSMA)

A.13-03-____

**SAN DIEGO GAS & ELECTRIC COMPANY'S (U 902-E) APPLICATION FOR A
REASONABLENESS DETERMINATION OF 2012 COSTS RECORDED IN THE
SAN ONOFRE NUCLEAR GENERATING STATION (SONGS) MEMORANDUM
ACCOUNT (SONGSMA)**

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Dated: March 19, 2013

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I.

DESCRIPTION OF APPLICATION

According to the instruction to Southern California Edison Company (SCE), provided in Decision (D.)12-11-051 to file an Application (SCE's Application) for a Reasonableness Determination of 2012 Costs Recorded in its San Onofre Nuclear Generating Station (SONGS) Memorandum Account (SONGSMA),¹ SCE made such a filing in A.13-01-xxx, dated January 31, 2013. San Diego Gas & Electric Company's (SDG&E) 2012 Test Year General Rate Case (GRC) Application (A.)10-12-005 is pending and as of yet SDG&E has no such instruction to make a similar filing. Nonetheless, SDG&E submits this Application (SDG&E's Application) for a reasonableness determination both of (1) 2012 Costs Recorded in its SONGSMA effective January 1, 2012, to track 100% of its internal SONGS costs incurred during 2012 and (2) SDG&E's 20% share of SONGS costs for O&M (including refueling outages) and capital expenses (excluding the Steam Generator Replacement Project) that are invoiced by SCE to SDG&E, including SCE's overheads, and recorded in its SONGSMA. SDG&E's total 2012

¹ D.12-11-051 at Conclusion of Law No. 10.

costs of SCE invoiced SONGS costs, including overheads, is \$192.4 million that is comprised of the following components:

- \$143.1 million in O&M including refueling outages; and
- \$49.3 million in capital expenditures excluding the Steam Generator Replacement Project

SDG&E is submitting this Application based upon an expectation that the California Public Utilities Commission (Commission) will consolidate SCE's Application and SDG&E's Application to undertake a reasonableness review both of post-2011 expenses recorded in SCE's and SDG&E's relevant SONGSMA, which will be consolidated with Investigation (I.)12-10-013 (the SONGS OII). By timely submitting this SDG&E Application, the proposed schedule for the other parties reply testimony on March 29, 2013 and for a Proposed Decision to issue approximately during July 2013 in Phase 1 of I.12-10-013 will not be adversely affected. In the testimony supporting this Application, SDG&E explains in Chapter 1 of Exhibit SDGE-3 the reasonableness and prudence of the post 2011 costs recorded in SDG&E's SONGSMA that reflect actual SDG&E expenses that were not invoiced to SDG&E by SCE pursuant to the Second Amended San Onofre Operating Agreement. SDG&E explains in Chapter 2 of Exhibit SDGE-3 the basis of SDG&E's 20% share of reasonable, prudently incurred SONGS costs that is the subject of SCE's Application, dated January 31, 2013.

Because this Application will be consolidated with the SONGS OII, in which the Commission is investigating whether and when to adjust SDG&E's rates in light of the SONGS outages, SDG&E is not seeking a rate change by way of this Application. Instead, SDG&E seeks a reasonableness determination from the Commission regarding all SONGS 2&3 costs

recorded in the SONGSMA. Any future rate changes will be considered in subsequent phases of the SONGS OII and/or other proceedings as appropriate.²

SDG&E witness Michael De Marco's testimony shown in Chapter 1 of Exhibit SDGE-3 demonstrates that its unique, internal 2012 costs recorded in its SONGSMA are reasonable. Specifically, SDG&E identified and described a subset of the costs that SDG&E paid in 2012 and recorded in SDG&E's SONGSMA in an amount of \$60.492 million. These incurred costs are associated with SDG&E's 20% ownership interest in the San Onofre Nuclear Generating Station (SONGS) and were unique to SDG&E and not addressed in SCE's January 31, 2013 Application that will be consolidated in the OII Phase I proceeding.

SDG&E acknowledges that this testimony may need to be updated to reflect the revenue requirements applicable to each of these categories of costs to reflecting the final decision that will issue in A.10-12-005.

SDG&E's testimony shown in Chapter 2 of Exhibit SDGE-3 respectfully requests that the Commission to find SDG&E's share of SONGS costs invoiced by SCE of \$192.4 million, are reasonable and prudently incurred, and recoverable from ratepayers under cost of service ratemaking principles.

II. LEGAL AUTHORITY

SDG&E files this Application pursuant to Public Utilities Code Sections 454, 701, and 1701, D.12-11-051, and the Commission's Rules of Practice and Procedure.³

² Accordingly, Commission Rule of Practice and Procedure 3.2 is inapplicable to the instant application.

³ MHI has reserved its right to challenge warranty amounts paid to SCE a portion of which equal to SDG&E's 20% ownership interest was recorded on SDG&E's books, less certain offsetting legal fees shared by the co-owners.

III.

BALANCE SHEET, INCOME STATEMENT, AND SUMMARY OF EARNINGS

Pursuant to Rule 3.2 of the Commission's Rules of Practice and Procedure, SDG&E has attached hereto its most recent balance sheet and income statement as Appendix A, and its most recent summary of earnings as Appendix B.

IV.

APPLICANT'S FULL NAME AND LEGAL STATUS

Pursuant to Rules 2.1 and 2.3 of the Commission's Rules of Practice and Procedure, the full legal name of the applicant is San Diego Gas & Electric Company. SDG&E is a public utility organized and existing under and by virtue of the laws of the State of California. SDGE's principal place of business is 8330 Century Park Court, San Diego, 92123-1530. SDG&E's attorneys in this matter are James F. Walsh and Stacy Van Goor.

Correspondence and written communications should be addressed to:

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SDG&E has attached hereto its most recent financial statement as Appendix C. A copy of SDG&E's Restated Articles of Incorporation as last amended, presently in effect and certified by the California Secretary of State, was filed with the Commission on August 31, 2009 in connection with SDG&E's Application No. 09-08-019, and is incorporated herein by reference. A copy of SDG&E's most recent proxy statement, dated April 27, 2012, was mailed to the Commission on May 2, 2012.

V.

SB 960 REQUIREMENTS

The information below addresses the requirements of SB 960, as set forth in Rule 2.1 and 7.1 of the Commission's Rules of Practice and Procedure. As ordered by D.12-11-051, this Application will be consolidated with the SONGS OII (which is categorized as ratesetting). The SONGS OII (including the resolution of the instant application) will proceed on the procedural schedule to be determined by the Scoping Memorandum in that proceeding.

VI.

CEQA

CEQA does not apply to this Application. Public Resources Code Section 21080(b)(8) states that CEQA does not apply to the "establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies."

VII.

INDEX OF EXHIBIT AND APPENDICIES

SDG&E hereby incorporates by reference into this Application Exhibit SDGE-3 -- Testimony of San Diego Gas & Electric Company in Support of Application for Review of the 2012 Expenses Recorded in the SONGSMA.

VII.
SERVICE

SDG&E will serve this Application and the supporting prepared testimony as required by D.12-11-051, the P.U. Code, and the Commission's Rules of Practice and Procedure.⁴

Respectfully submitted,

/s/ James F. Walsh
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Attorneys for
SAN DIEGO GAS & ELECTRIC COMPANY

Dated: March 19, 2013

⁴ Pursuant to direction from the Commission's Energy Division, SDG&E is serving this Application and supporting testimony on the service lists in A.10-12-005 and I.12-10-013.

VERIFICATION

I am an officer of the applicant corporation herein, and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing document are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 19th day of March, 2013, at San Diego, California.

/s/ LEE SCHAVRIEN

Lee Schavrien

Senior Vice President

Finance, Regulatory and Legislative Affairs

SAN DIEGO GAS & ELECTRIC COMPANY