

Application No.: A.22-02-016
Exhibit No.: SDGE-02
Witnesses: Sue E. Garcia
Charles D. Ladd
Tracy M. Dalu
Juan C. Fernandez

PUBLIC VERSION

PREPARED DIRECT TESTIMONY

ON BEHALF OF

SAN DIEGO GAS & ELECTRIC COMPANY

**(Reasonableness of SONGS 1, 2&3 Decommissioning Activities and Costs Incurred by
SDG&E in 2018 through 2020)**



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

February 28, 2022

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

3 **I. INTRODUCTION (S. GARCIA)**

4 In this document, San Diego Gas & Electric Company (“SDG&E”) is providing
5 testimony in support of its requests that the California Public Utilities Commission (“CPUC” or
6 “Commission”):

- 7 1) Approve as reasonable the \$0.7 million (SDG&E share, 2014\$) for San Onofre
8 Nuclear Generating Station Unit 1 (“SONGS Unit 1” or “SONGS 1”)
9 decommissioning expenses invoiced to SDG&E by Southern California Edison
10 Company (“SCE”) for completed distributed projects and undistributed activity
11 for the 2021 Nuclear Decommissioning Cost Triennial Proceeding (“NDCTP”)
12 review period;
- 13 2) Approve as reasonable the \$118.3 million (SDG&E share, 2014\$) for SONGS
14 Units 2&3 (“SONGS Unit 2&3” or “SONGS 2&3”) decommissioning expenses
15 invoiced to SDG&E by SCE for completed distributed projects and undistributed
16 activity costs for the 2021 NDCTP review period; and
- 17 3) Approve as reasonable the \$4.5 million (2014\$) in SDG&E-only costs for
18 SONGS incurred during the 2021 NDCTP review period.

19 This volume of testimony is organized as follows: Chapter II provides a brief overview of
20 SDG&E’s request. Chapter III discusses the reasonableness review standard applicable to
21 SDG&E’s requests, and how the standard should be applied considering SDG&E’s oversight
22 role in 2018 - 2020. Chapter IV provides a review of SDG&E’s costs incurred, as billed by SCE.
23 Chapter V provides a review of the SDG&E-only costs incurred during the 2021 NDCTP review
24 period.

1 **II. OVERVIEW (S. GARCIA)**

2 In Application (“A.”)16-03-004, the 2015 NDCTP, the parties agreed to a
3 Reasonableness Framework for reasonableness reviews of SONGS decommissioning costs that
4 was adopted by the Commission in Decision (“D.”) 18-11-034. In A.18-03-009, the 2018
5 NDCTP, SCE and SDG&E identified necessary updates to the original Reasonableness
6 Framework which were adopted by the Commission in D.21-12-026.

7 The Reasonableness Framework groups distributed activities to form Major Projects. A
8 Major Project occurs when all physical work for a particular project (including the disposal of
9 any associated waste), as explicitly identified in the Decommissioning Cost Estimate (“DCE”)
10 line items, has been completed and all associated costs have been recorded.¹

11 In this 2021 NDCTP for SONGS 1, three Major Projects were completed during the 2018
12 - 2020 review period. SDG&E’s total costs billed to SDG&E by SCE associated with those
13 Major Projects were \$0.2 (SDG&E share, 2014\$).²

14 In this 2021 NDCTP for SONGS 2&3, five Major Projects were completed. SDG&E’s
15 total costs billed to SDG&E by SCE associated with those Major Projects were \$61.4 million
16 (SDG&E share, 2014\$).³

17 The Reasonableness Framework establishes that in the NDCTP scheduled for 2021 all
18 undistributed activities recorded costs during the applicable NDCTP review period will be
19 reviewed for reasonableness if “Check Point 1”, all spent fuel on Independent Spent Fuel Storage

¹ A.16-03-004, Exhibit (“Ex.”) SCE-SDGE-01 at 3.

² These costs are discussed further in Chapter IV.B.

³ These costs are discussed further in Chapter IV.C.

1 Installation (“ISFSI”), was completed.⁴ In August 2020, “Check Point 1” was completed. In
2 2018 – 2020, SDG&E’s total costs billed to SDG&E by SCE associated with SONGS 1
3 undistributed activities were \$0.5 million (SDG&E share, 2014\$).⁵ In 2018 – 2020, SDG&E’s
4 total costs billed to SDG&E by SCE associated with SONGS 2&3 undistributed activities were
5 \$56.9 million (SDG&E share, 2014\$).⁶

6 The Reasonableness Framework provides that all SDG&E-only internal costs incurred
7 during the prior three-year period will be reviewed for reasonableness in the NDCTP consistent
8 with the treatment of SCE’s undistributed activities costs in the proposed Reasonableness
9 Framework.⁷ Therefore, all of SDG&E-only recorded costs for 2018 – 2020 will be reviewed for
10 reasonableness. SDG&E recorded \$4.5 million (2014\$) of SDG&E-only costs in 2018 - 2020.⁸

11 Table 1 summarizes these expenses and compares them to SDG&E’s 20% share of the
12 2017 SONGS 1 DCE and the 2017 SONGS 2&3 DCE submitted in A.18-03-009 and approved
13 in D.21-12-026.

⁴ A.16-03-004, Ex. SCE-SDGE-01 at 4.

⁵ These costs are discussed further in Chapter IV.B.

⁶ These costs are discussed further in Chapter IV.D.

⁷ A.16-03-004, Ex. SCE-SDGE-01 at 4.

⁸ These costs are discussed further in Chapter V.

Table 1
Summary of 2021 NDCTP Review Period Costs for SDG&E
(2014\$ Constant Dollars in Millions, 20% Level)

	Category	DCE ⁹	Recorded	Variance
1	SONGS 1 Major Projects Completed	\$0.1	\$0.2	\$0.1
2	SONGS 1 Undistributed Activities Costs	\$1.0	\$0.5	(\$0.5)
3	SONGS 1 Review Period Total	\$1.1	\$0.7	(\$0.4)
4				
5	SONGS 2&3 Major Projects Completed	\$55.0	\$61.4	\$6.4
6	SONGS 2&3 Undistributed Activities Costs	\$64.9	\$56.9	(\$8.0)
7	SONGS 2&3 Review Period Total	\$119.9	\$118.3	(\$1.6)
8				
9	SDG&E-Only Costs	\$8.8	\$4.5	(\$4.3)

III. STANDARD OF REASONABLENESS REVIEW OF SDG&E’S SONGS DECOMMISSIONING COSTS (S. GARCIA)

A. Reasonableness Standard of Review

SDG&E respectfully requests that the Commission continue to apply its “reasonable manager standard” when completing its SONGS decommissioning reasonableness reviews.

The Commission’s reasonable manager standard reviews a utility’s actions based upon what the utility knew or should have known at the time the utility takes the action, not just the ultimate results or costs based on hindsight. The review standard also expressly provides that a utility’s actions “may be found to be reasonable and prudent if the utility shows that its decision making process was sound...., *even if it turns out not to have led to the best possible outcome.*”¹⁰

The Commission’s reasonable manager standard does not hold the utilities to unachievable perfect hindsight. It is therefore appropriate for the Commission to determine that SONGS

⁹ In accordance with D.21-12-026, the contingency in the 2017 SONGS 2&3 DCE associated with the Holtec contract and the Decommissioning General Contract (“DGC”) agreement has been reduced to 8%.

¹⁰ D.05-08-037 at 10-11 (emphasis added).

1 decommissioning activities and expenses are reasonable based on the information provided by
2 SCE and SDG&E in support of this Application.

3 **B. SDG&E Holds an Oversight Position at SONGS**

4 SONGS is licensed under the Nuclear Regulatory Commission (“NRC”) as three units.
5 SDG&E has a 20% minority ownership stake in each of the three nuclear units and, as such, is
6 contractually obligated to pay its 20% ownership share of all costs including decommissioning
7 costs.¹¹ As recognized by the NRC, SCE is the licensee as well as the operating agent. During
8 2018 - 2020, SCE was the decommissioning agent. In addition, from 2018 - 2020, the SONGS
9 Participants were governed by the 2015 SONGS Decommissioning Agreement.¹²

10 As a minority owner, SDG&E has a fiscal responsibility to fund operations and
11 decommissioning at SONGS. In 2018 - 2020, as a minority owner, SDG&E also had an
12 oversight role at SONGS. In 2018 - 2020, SDG&E fulfilled its oversight obligations and fiscal
13 management roles in several different ways, as summarized in my direct testimony in Ex. SDGE-
14 01. For example, SCE was the decommissioning agent, which means that it was making
15 decisions about decommissioning activities at SONGS. To ensure that it stayed informed of the
16 decommissioning activities at SONGS, SDG&E stationed a dedicated employee at the plant to
17 follow major activities at the site and to report to SDG&E management plant status relative to

¹¹ SCE holds an approximately 75.74% interest, SDG&E holds a 20% interest, the City of Anaheim holds an approximately 2.47% interest, and the City of Riverside holds a 1.79% interest in SONGS 2&3 decommissioning liability.

¹² In April 2015, SDG&E executed a decommissioning agreement (“Decommissioning Agreement”) with the other three Participants that governs SDG&E co-owner participation. The Decommissioning Agreement governs the decommissioning of all three units. The Decommissioning Agreement establishes a decommissioning agent, participant funding responsibilities and participant involvement in the governance of the decommissioning agent. Pursuant to the Decommissioning Agreement, Executive, Budget, Fiscal, and Legal committees were established. The Budget and Executive committees approve major monetary commitments. In addition, an independent nuclear expert (*i.e.*, Decommissioning Advisor) assists the Executive Committee on an as-needed basis.

1 budget. SDG&E also reviewed annual budgets as well as budgets for specific decommissioning
2 projects and then tracked progress monthly. SDG&E also sought confirmation from its retained
3 nuclear expert, Mr. Levin, that SCE’s activities or plans for SONGS comported with industry
4 practices. In 2018, Mr. Joseph Carignan and Mr. Thomas LaGuardia worked with SDG&E
5 personnel during the 2017 DCE review process to provide technical guidance.

6 **C. The Commission Should Consider SDG&E’s Unique Oversight Role at**
7 **SONGS When Conducting its Reasonableness Review of SDG&E’s Costs**

8 In the 2015 NDCTP, Bruce Lacy for The Utility Reform Network (“TURN”) provided
9 testimony with the following conclusions and recommendations:

- 10 • SDG&E is currently providing adequate staff for monitoring SONGS 2&3
11 decommissioning. The costs of that staff should be found reasonable;
- 12 • The SDG&E staff is showing diligence and persistence in their monitoring
13 efforts; and
- 14 • The SDG&E monitoring effort provides opportunity for greater insight into
15 SONGS decommissioning costs which should be encouraged by the Commission
16 in future SONGS 2&3 NDCTPs.¹³

17 SDG&E respectfully recommends that the Commission keep SDG&E’s unique oversight
18 and fiscal management role in mind when it determines the reasonableness of SDG&E’s
19 decommissioning costs for this review period.¹⁴

¹³ A.16-03-004, Ex. TURN-03 at 22.

¹⁴ SDG&E’s oversight and fiscal management roles and processes are described in detail in Ex. SDGE-01 at 4-9.

1 **IV. SDG&E’S REVIEW OF ITS RECORDED COSTS BILLED BY SCE (S. GARCIA)**

2 In this instant filing, SDG&E reports \$0.7 million (SDG&E share, 2014\$) total SONGS 1
3 decommissioning expenditures and \$118.3 million (SDG&E share, 2014\$) total SONGS 2&3
4 decommissioning expenditures billed by SCE for its SONGS obligation that are covered in the
5 2021 NDCTP review period. Table 2 presents these costs billed by SCE at a summary level.

6 **Table 2**
7 **Summary of SDG&E Costs Billed by SCE**
8 **(2014\$ Constant Dollars in Millions, 20% Level)**
9

	Category	DCE ¹⁵	Recorded	Variance
1	SONGS 1 Major Projects Completed	\$0.1	\$0.2	\$0.1
2	SONGS 1 Undistributed Activities Costs	\$1.0	\$0.5	(\$0.5)
3	SONGS 1 Review Period Total	\$1.1	\$0.7	(\$0.4)
4				
5	SONGS 2&3 Major Projects Completed	\$55.0	\$61.4	\$6.4
6	SONGS 2&3 Undistributed Activities Costs	\$64.9	\$56.9	(\$8.0)
7	SONGS 2&3 Review Period Total	\$119.9	\$118.3	(\$1.6)

10 SDG&E seeks a Commission finding that \$0.7 million (SDG&E share, 2014\$) for
11 SONGS 1 and \$118.3 million (SDG&E share, 2014\$) for completed SONGS 2&3 Major
12 Projects and undistributed activities that SDG&E incurred during this review period are
13 reasonable. As described below, in its oversight role, SDG&E conducted its own review of these
14 costs and underlying activities.¹⁶ SDG&E also reviewed the completed Major Projects and
15 undistributed activities costs against the 2017 SONGS 1 and SONGS 2&3 DCEs. SDG&E has
16 concluded that the completed Major Projects and undistributed activities costs for SONGS 1 and
17

¹⁵ In accordance with D.21-12-026, the contingency in the 2017 SONGS 2&3 DCE associated with the Holtec contract and the DGC agreement has been reduced to 8%.

¹⁶ Due to the potential time lag of when costs are billed to SDG&E by SCE, SDG&E also reviewed to determine if any additional costs were incurred related to the completed Major Projects included in prior NDCTPs. SDG&E notes that the completed project “Select Decommissioning General Contractor” included in the 2018 NDCTP had a credit of \$24 (SDG&E share, 2014\$) charged in the 2021 NDCTP review period.

1 SONGS 2&3 were reasonable and appropriate. Therefore, SDG&E respectfully requests the
2 Commission to find its recorded costs for SONGS 1 and for SONGS 2&3 completed Major
3 Projects and undistributed activities are reasonable.

4 **A. SDG&E's On-Site and Accounting Review of Activities and Underlying**
5 **Costs**

6 In 2018 - 2020, SDG&E actively participated in meetings with SCE regarding completed
7 and on-going decommissioning activities. Based upon SDG&E's on-site representation,
8 SDG&E concurs that these efforts were appropriate and necessary. To understand the activities
9 occurring at the plant, SDG&E employees attended daily plant meetings, weekly project status
10 meetings, monthly project update meetings, and monthly SONGS Participants' Executive and
11 Budget meetings and actively questioned and critically reviewed the activities and processes.
12 SDG&E understands the issues and concurs that SCE has taken the appropriate actions necessary
13 to decommission SONGS 1 and SONGS 2&3.

14 In addition, as SDG&E receives SCE's monthly invoices, it compares the actual costs to
15 the annual budget as well as to the 2017 SONGS 2&3 DCE. SDG&E's 2018 recorded
16 decommissioning costs Advice Letter 3368-E, 2019 recorded decommissioning costs Advice
17 Letter 3531-E, and 2020 recorded decommissioning costs Advice Letter 3730-E all contained a
18 detail comparison of the actual costs to the 2017 SONGS 2&3 DCE and reconciled the costs to
19 SCE's similar Advice Letter filings for 2018, 2019 and 2020 recorded decommissioning costs.

20 SDG&E also conducted an accounting review of the costs presented by SCE in support of
21 this Joint Application. SCE witnesses Mr. Robert Bledsoe and Mr. Vincent Bilovsky present
22 costs for completed Major Projects and undistributed activities for SONGS 1 and SONGS 2&3

1 categories at the 100% level.¹⁷ Utilizing the accounting categories established in SCE’s
 2 testimony, SDG&E was able to aggregate invoiced costs to the same categories presented by Mr.
 3 Bledsoe and Mr. Bilovsky.

4 **B. Reasonableness Review for SONGS 1 Costs**

5 **1. Distributed Major Projects**

6 In this 2021 NDCTP for SONGS 1, three Major Projects, Removal of ISFSI
 7 Interferences, Real Time Radiation Monitoring Infrastructure, DCE Update were completed.
 8 SDG&E’s total costs billed to SDG&E by SCE associated with those Major Projects were \$0.17
 9 million (SDG&E share, 2014\$). Table 3 shows SDG&E’s recorded Major Project costs for
 10 SONGS 1 compared to the 2017 DCE.

11 **Table 3**
 12 **Comparison of SDG&E 2021 Review Period Recorded Costs for Major Projects Completed**
 13 **to the SONGS 1 DCE**
 14 **(20% level, 2014\$ in millions)**
 15

	Category	DCE	Recorded	Variance
	Distributed Costs for Major Projects Completed During 2021 Review Period			
1	Removal of ISFSI Interferences	\$0.06	\$0.12	\$0.06
2	Decommissioning Cost Estimate Update	\$0.05	\$0.05	\$0.00
3	Real Time Radiation Monitoring Infrastructure	\$0.00	\$0.00	\$0.00
4	Total Distributed Completed Projects	\$0.11	\$0.17	\$0.06

16 **a. Removal of ISFSI Interferences**

17 In order, to expand the SONGS ISFSI, Holtec International, Incorporated (“Holtec”) was
 18 required to excavate and remove a portion of the SONGS 1 substructures that lie beneath the
 19 expanded ISFSI. The concrete and grout rubble were stored in the South Yard Facility at
 20 SONGS until it was transported off-site and disposed of by SONGS Decommissioning *Solutions*

¹⁷ Ex. SCE-02 and SCE-03.

1 (“SDS”), the DGC. The costs for this project include both the payments made to Holtec and to
2 SDS.

3 SDG&E was billed \$0.12 million (SDG&E share, 2014\$) for the Removal of ISFSI
4 Interferences project, which was \$0.06 million (SDG&E share, 2014\$) over the 2017 SONGS 1
5 DCE amount. The primary reason for the variance was unexpected surveying and handling costs
6 for the contaminated soil and unexpected cost to remove the portion of the containment concrete
7 cap that interfered with the necessary excavation depth.

8 **b. Decommissioning Cost Estimate Update**

9 A SONGS 1 DCE is prepared every three years for submittal to the CPUC. The costs for
10 this project are associated with the 2017 DCE. SDG&E was billed \$0.05 million (SDG&E share,
11 2014\$) for the DCE Update project, which was equal to the 2017 SONGS 1 DCE amount.

12 **c. Real Time Radiation Monitoring Infrastructure**

13 As part of the Coastal Development Permit (“CDP”) issued for SONGS 2&3
14 decommissioning in 2019, SCE was required to implement an ISFSI gamma radiation
15 monitoring system. The cost for the system was allocated to each unit based on the SONGS
16 units’ pro-rata shares of spent fuel in the ISFSI. Thus, 10.25 percent was allocated to SONGS 1.

17 SDG&E was billed \$0.00 million¹⁸ (SDG&E share, 2014\$) for the Real Time Radiation
18 Monitoring Infrastructure project, which was \$0.002 million (SDG&E share, 2014\$) over the
19 2017 SONGS 1 DCE amount. The primary reason for this variance was that this distributed
20 project was not included in the 2017 DCE.

¹⁸ Billed costs are \$0.002 million (SDG&E share, 2014\$).

1 **2. Undistributed Activities**

2 The undistributed activities costs that were billed to SDG&E were labor staffing and non-
3 labor (contracted services, California Environmental Quality Act (“CEQA”) reporting, security
4 related expenses, NRC fees, insurance and site lease and easement expenses). SDG&E’s total
5 cost billed to SDG&E by SCE for undistributed activities in 2018 - 2020 was \$0.50 million
6 (SDG&E share, 2014\$).¹⁹

7 Table 4 shows SDG&E’s recorded undistributed activities costs for SONGS 1.

8 **Table 4**
9 **SONGS 1 - Summary Comparison of Undistributed Activities Cost to the 2017 DCE**
10 **(20% level, 2014\$ in millions)**

	Category	DCE	Recorded	Variance
1	Undistributed Activities Cost			
2	Labor-Staffing	\$0.28	\$0.04	(\$0.24)
3	Non-Labor	\$0.57	\$0.46	(\$0.11)
4	Service Level Agreements	\$0.11	\$0.00	(\$0.11)
5	Total	\$0.96	\$0.50	(\$0.46)

12 SDG&E’s recorded cost related to undistributed activities was \$0.50 million (SDG&E
13 share, 2014\$), which was \$0.46 million (SDG&E share, 2014\$) under the 2017 SONGS 1 DCE.
14 Provided below are the descriptions of the category of costs and the variance explanation to the
15 2017 SONGS 1 DCE.

¹⁹ Due to a lag in billing actual costs, the specific billing invoices included in this reasonableness review are for the cost months from November 2017 through December 2020. The 2018 NDCTP covered all undistributed activities actual costs through October 2017.

1 **a. Labor-Staffing**

2 After fuel transfer operations (“FTO”) were completed in August 2020, approximately
3 ten percent of the ISFSI management labor-staffing costs were allocated to SONGS 1.²⁰ The
4 ISFSI or plant management personnel are responsible for the operations, maintenance, and
5 security of the plant facilities. Labor-Staffing costs include SCE employee labor costs, including
6 applicable overheads and short-term incentive programs expenses, and core contractors that are a
7 part of the SONGS decommissioning organization. SDG&E was billed \$0.04 million (SDG&E
8 share, 2014\$) for 2018 - 2020 labor-staffing costs, which was \$0.24 million (SDG&E share,
9 2014\$) under the 2017 SONGS 1 DCE amount. The primary reason for the variance was that the
10 DCE assumed that FTO would be complete in mid-year 2019. However, FTO was not complete
11 until August 2020 and at that time SCE commenced allocating ISFSI maintenance costs to
12 SONGS 1.

13 **b. Non-Labor**

14 SDG&E’s recorded costs related to non-labor undistributed activities was \$0.46 million
15 (SDG&E share, 2014\$), which was \$0.11 million (SDG&E share, 2014\$) under the 2017
16 SONGS 1 DCE. Provided below are the descriptions of the category of costs and the variance
17 explanation to the 2017 SONGS 1 DCE.

18 NRC Fees – SDG&E was billed \$0.11 million (SDG&E share, 2014\$) for NRC fees
19 which were \$0.05 million (SDG&E share, 2014\$) under the 2017 SONGS 1 DCE amount. NRC
20 fees incurred were annual, periodic inspection and other fees assessed by NRC to perform their
21 statutory inspection and oversight functions of SONGS 1 activities. The main reason these costs

²⁰ ISFSI costs are allocated between SONGS 1, 2 & 3 based on the portion of spent fuel assemblies on the ISFSI. This results in a 10.25%, 44.75% and 45.00% allocation to SONGS 1, 2 and 3, respectively.

1 were lower than the 2017 SONGS 1 DCE was that the actual Part 171 fixed annual fees and the
2 actual Part 170 variable fees of 10 C.F.R. Part 170 and Part 171, came in lower than the 2017
3 SONGS 1 DCE forecast amount because the NRC adjusted its annual fees during 2018 - 2020 to
4 levels lower than estimated, and because SCE incurred fewer inspection hours than estimated.

5 Insurance – SDG&E was billed \$0.07 million (SDG&E share, 2014\$) for annual
6 premiums for nuclear liability and workers’ compensation insurances. SCE continued to pay
7 these premiums because SONGS 1 fuel is on the ISFSI. SCE paid workers’ compensation
8 insurance for all SCE employees currently working at SONGS and a portion was allocated to
9 SONGS 1. The insurance for 2018 - 2020 was \$0.04 million (SDG&E share, 2014\$) under the
10 2017 SONGS 1 DCE amount. The cause of this variance was primarily due to SCE receiving
11 Industry Credit Rating Plan credits from the American Nuclear Insurers offsetting the amount of
12 the insurance premiums paid for SONGS 1.

13 Site Lease and Easement Expenses – SDG&E was billed \$0.03 million (SDG&E share,
14 2014\$) for site lease and easement expenses which was \$0.01 million (SDG&E share, 2014\$)
15 over the 2017 SONGS 1 DCE amount. This cost represented lease and easement payments to
16 the California State Lands Commission (“CSLC”) and are slightly higher than the 2017 SONGS
17 1 DCE.

18 Contracted Services – SDG&E was billed \$0.21 million (SDG&E share, 2014\$) for
19 contracted services. This category of cost included seawall maintenance costs for SONGS 1 and
20 contracted services allocated to SONGS 1 for the Plant Management division for maintaining the
21 ISFSI. Contracted services costs for 2018 - 2020 was equal to the 2017 SONGS 1 DCE amount.

22 Emergency Preparedness Fees – SDG&E was billed \$0.03 million (SDG&E share,
23 2014\$) for emergency preparedness fees which was \$0.03 million (SDG&E share, 2014\$) under

1 the 2017 SONGS 1 DCE amount. The primary cause of the variance was that SCE did not
2 commence allocating emergency preparedness fees to SONGS 1 until mid-year 2020 when FTO
3 was completed.

4 CEQA Reporting – SDG&E was billed \$0.00 million²¹ (SDG&E share, 2014\$) for
5 CEQA reporting fees related to ISFSI radiation monitoring. The costs billed were equal to the
6 2017 SONGS 1 DCE amount.

7 Security Related Expenses – SDG&E was billed \$0.00 million²² (SDG&E share, 2014\$)
8 for security-related expenses which was equal to the 2017 SONGS 1 DCE amount.

9 **c. Service Level Agreements**

10 During 2018 - 2020 SDG&E was not billed for service level agreements (“SLA”) costs
11 for SONGS 1 which was \$0.11 million (SDG&E share, 2014\$) under the 2017 SONGS 1 DCE
12 amount. As explained in Mr. Bledsoe’s testimony, the administrative and general (“A&G”) services provided by the SCE corporate departments directly supported only SONGS 2&3
13 decommissioning activities that were performed during 2018 - 2020 and as a result, SCE did not
14 charge any SLA costs to SONGS 1 during 2018 - 2020.

15
16 For all of the above undistributed activities costs, SDG&E considers these costs to be
17 appropriate and reasonable decommissioning expenses.

18 **C. Reasonableness Review of Completed Distributed Major Projects for**
19 **SONGS 2&3 (C. Ladd)**

20 In this 2021 NDCTP for SONGS 2&3, five major projects, ISFSI Expansion & Fuel
21 Transfer Operations, California Environmental Quality Act Permitting, Phase-2 Regulatory

²¹ Billed costs are \$0.001 million (SDG&E share, 2014\$).

²² Billed costs are \$0.001 million (SDG&E share, 2014\$).

1 Compliance, Cyber Security Modification and Emergency Planning Zone Siren Removal were
 2 completed. The Phase-2 Regulatory Compliance project consisted of two items – DCE Update
 3 and Defueled Safety Analysis Report (“DSAR”) update. SDG&E’s total costs billed to SDG&E
 4 by SCE associated with those projects were \$61.4 million (SDG&E share, 2014\$).

5 For the 2021 NDCTP review SDG&E requests that the Commission approve as
 6 reasonable \$61.4 million (SDG&E share, 2014\$) billed to SDG&E for SONGS 2&3 Major
 7 Projects.

8 Table 5 shows SDG&E’s recorded completed distributed Major Projects activities costs
 9 for SONGS 2&3.

10 **Table 5**
 11 **Comparison of SDG&E 2021 Review Period Recorded Costs for Distributed Completed**
 12 **Projects to the 2017 SONGS 2&3 DCE**
 13 **(20% level, 2014\$ in millions)**
 14

	Category	DCE	Recorded	Variance
1	Distributed Costs for Major Projects Completed During 2021 Review Period			
2	ISFSI Expansion & Fuel Transfer Operations ^{23 24}	\$51.2	\$57.7	\$6.5
3	CEQA Permitting	\$1.6	\$1.3	(\$0.3)
4	Phase 2 Regulatory Compliance:			
5	DSAR Update	\$0.4	\$0.4	\$0.0
6	DCE Update	\$0.3	\$0.4	\$0.1
7	Cyber Security Modifications ²⁵	\$1.5	\$1.5	\$0.0
8	Emergency Planning Zone Siren Removal	\$0.0	\$0.1	\$0.1
9				
10	Total Distributed Completed Projects	\$55.0	\$61.4	\$6.4

²³ This project cost total excludes \$0.6 million (SDG&E share, 2014\$) of 2013 costs that have previously been deemed reasonable in D.14-11-040.

²⁴ In accordance with D.21-12-026, the contingency in the 2017 SONGS 2&3 DCE associated with the Holtec contract has been reduced to 8%.

²⁵ This project cost total excludes \$0.4 million (SDG&E share, 2014\$) of 2013 costs that have previously been deemed reasonable in D.14-11-040.

1 **1. ISFSI Expansion & Fuel Transfer Operations**

2 SCE contracted with Holtec to license, design and construct an expansion of the existing
3 ISFSI and to load fuel into canisters and transfer them from wet to dry storage. After a
4 competitive bidding process the contract between Holtec and SCE was executed on December 5,
5 2014. Holtec performed all engineering analysis, documentation, licensing and permitting
6 activities and submitted nuclear engineering change packages²⁶ (“NECPs”) for SCE review and
7 approval. Holtec constructed the ISFSI and associated security building. The ISFSI expansion
8 (pad #3) is a Holtec HI-STORM UMAX Version B canister storage system (exercising the Most
9 Severe Earthquake option). The HI-STORM UMAX system uses Multipurpose Canisters
10 (“MPCs”) that are placed in a Vertical Ventilated Module (“VVM”).

11 The Holtec contract scope included providing the staffing and equipment to perform the
12 fuel transfer from the wet fuel storage pools to the dry ISFSI system. The scope of this project
13 included costs for SCE project oversight staffing and SDS support activities.

14 The transfer of spent nuclear fuel from the fuel pools to the ISFSI began in January 2018.
15 The first MPC was downloaded to VVM number 33 on January 31, 2018. The 2017 SONGS
16 2&3 DCE forecasted that the FTO would be completed by mid-2019.²⁷ On August 3, 2018,
17 there was an event while downloading a loaded fuel canister in which the canister caught on a
18 ledge on the top of the VVM and was not supported by the rigging. When the slack rigging sling
19 condition was recognized, tension on the slings was re-established, the MPC was lifted above the
20 shield ring, realigned and then lowered into the cavity. The recovery of the MPC from its
21 position on the shield ring and successfully lowering it into the cavity was performed in

²⁶ NECP 801372564, NECP 801372566, NECP 801372567, NECP 801372568.

²⁷ 2017 DCE, page B-22, item 10.

1 approximately one hour. Due to the safety significance of this event, FTO was suspended while
2 the event was investigated, and corrective actions were developed and implemented.

3 A significant number of corrective actions were identified and implemented to address
4 the causes of the incident. The corrective actions from the event evaluation included the
5 following actions to reduce the likelihood of repeat events:

- 6 • Implement work stoppage and brief staff on the event including a lessons-learned
7 review;
- 8 • Evaluate written procedures and make revisions to them to improve the level of
9 detail;
- 10 • Raise expectations for improved communications including 3-part
11 communications where applicable;
- 12 • Revise training program requirements to be consistent with SONGS site specific
13 training requirements and train all staff associated with cask loading;
- 14 • Modify cask loading equipment such that MPC movements can be monitored
15 during cask downloading evolutions; and
- 16 • Make appropriate staffing changes.

17 These extensive corrective actions were implemented over a period of approximately 14-
18 months. At a June 3, 2019, public meeting, the NRC announced that SCE could resume FTO at
19 SONGS in a safe and compliant manner.²⁸ FTO resumed on July 15, 2019 and was completed
20 on August 7, 2020.

²⁸ NRC Virtual Meeting 06032019 - Resumption of FTO Meeting Summary. ADAMS Accession Number ML 19150A329.

1 SDG&E monitored the implementation and progress of this project at the daily status
2 meetings and other periodic weekly and monthly meetings. SDG&E reviewed NECPs, training
3 materials, event investigation documents, corrective action documents and observed FTO in the
4 facility. SDG&E's recorded costs related to this distributed project were \$57.7 million (SDG&E
5 share, 2014\$) which is \$6.5 million (SDG&E share, 2014\$) more than the 2017 SONGS 2&3
6 DCE.

7 As explained in SCE's testimony, the primary reasons for the \$6.5 million (SDG&E
8 share, 2014\$) cost variance were associated with project oversight, FTO operation support and
9 FTO waste disposal.²⁹

10 The work performed on the ISFSI Expansion and FTO project to construct an ISFSI and
11 load and move the spent fuel from wet storage to dry storage should be considered reasonable
12 and appropriate.

13 **2. California Environmental Quality Act Permitting**

14 In the beginning of the SONGS decommissioning project, the Participants were required
15 to obtain a new CSLC lease for the use, maintenance, and decommissioning of certain existing
16 offshore improvements associated with the SONGS Units 2&3, and a CDP from the California
17 Coastal Commission ("CCC") for the project's onshore and offshore decommissioning work.

18 Under the CEQA, the CSLC, as lead agency, was required to evaluate the SONGS
19 decommissioning project and prepare an Environmental Impact Report ("EIR"). The CEQA
20 permitting process began in 2015 and the CSLC issued a certified final EIR and approved a new
21 lease on March 21, 2019.

²⁹ Ex. SCE-03 at 50.

1 SCE's application for a CDP for offshore decommissioning activities described in the
2 EIR was reviewed by the CCC. The CDP was approved by the CCC on October 17, 2019, with
3 certain mitigation measures and special condition requirements. Mitigation plans and special
4 conditions required for decommissioning to begin were satisfied in February of 2020, completing
5 the CEQA permitting project. The primary costs incurred for this project were labor and contract
6 service costs.

7 SDG&E obtained the status on this project during the weekly participants meetings and
8 the monthly project review meetings. SDG&E's recorded cost related to this distributed project
9 was \$1.3 million (SDG&E share, 2014\$) which is \$0.3 million (SDG&E share, 2014\$) less than
10 the 2017 SONGS 2&3 DCE forecast. The primary driver for the \$0.3 million (SDG&E share,
11 2014\$) cost variance was that the level of contractor support for the CEQA and CDP process was
12 less than had been anticipated. As a result of fewer comments, there were less costs incurred by
13 contractor staff performing environmental permitting work and oversight activities. There were
14 additional cost savings for less SCE labor. The work to obtain permits to perform
15 decommissioning work was necessary and required and should be considered reasonable and
16 appropriate.

17 **3. Phase 2 Regulatory Compliance**

18 There are two distributed projects that were completed under the Major Project called
19 "Phase 2 Regulatory Compliance". The two projects are DSAR Update and DCE Update.

20 **a. DSAR Update**

21 The DSAR is required by law³⁰ to be maintained and updated during decommissioning.
22 The DSAR describes the facility, presents the design bases and the limits on its operation, and

³⁰ 10 C.F.R. § 50.71(e)(4).

1 presents a safety analysis of the structures systems and components and of the facility as a
2 whole. SCE submitted DSAR updates to the NRC within 24 months of the previous reports, and
3 therefore met the regulatory reporting time requirement. This report reflects all of the
4 administrative and design changes that were implemented since the last version of the DSAR
5 was submitted.

6 SCE contracted with an experienced subject matter expert to perform the required update
7 to the DSAR. SDG&E obtained the status on this project during periodic status meetings and
8 weekly participants meetings. The cost category for this work was contracted services only.
9 SDG&E's recorded costs related to this distributed project was \$0.4 million (SDG&E share,
10 2014\$) which is the same as the 2017 SONGS 2&3 DCE forecast. This work to prepare the
11 DSAR was required by the NRC and should be considered reasonable and appropriate.

12 **b. Decommissioning Cost Estimate Update**

13 CPUC requires that DCEs shall be periodically revised.³¹ SCE submits its DCE updates
14 for Commission review in its periodic NDCTPs. SCE engaged The Kenrich Group to develop
15 the 2017 DCE update and ABZ Incorporated to perform reviews of the DCE during the update.
16 The incurred costs for the DCE update were primarily for payments to Kenrich, ABZ, High
17 Bridge Associates and an SCE project manager.

18 As the draft revisions of the DCE update were being developed, SDG&E reviewed and
19 made comments on the initial, interim, and final drafts of the updated DCE and attended DCE
20 meetings and DCE workshops. SDG&E obtained additional status of this project during the
21 weekly participants meetings and Budget Committee meetings. SDG&E's recorded costs related
22 to this distributed project were \$0.4 million (SDG&E share, 2014\$) which is \$0.1 million

³¹ California Public Utilities Code section 8326.

1 (SDG&E share, 2014\$) more than the 2017 SONGS 2&3 DCE forecast. This work to update the
2 2017 SONGS 2&3 DCE was required to be done in conjunction with the NDCTP and should be
3 considered reasonable and appropriate.

4 **4. Cyber Security Modifications**

5 NRC regulations³² required a cyber security plan (“CSP”) at SONGS to ensure digital
6 assets were secure and protected. The CSP established eight milestones to ensure acceptable
7 level of protection until full implementation, milestone 8, was achieved. Prior to
8 decommissioning, SCE implemented 7 of the 8 CSP milestones on December 31, 2012, which is
9 before the decommissioning project was initiated. SCE entered into an agreement with Areva³³
10 Transnuclear (“Areva TN”) in 2015 to implement milestone 8 in three phases. At the time the
11 contract with Areva TN was executed SCE believed completing milestone 8 was required.
12 Areva TN completed the first 2 phases of milestone 8 in 2017. SCE submitted a license
13 amendment request (“LAR”) to the NRC in May 2017 that would exempt SCE from full
14 implementation of the CSP. The LAR was based on a lowered risk profile of the station due to
15 being permanently defueled and the continued decay of the remaining spent fuel. The NRC
16 granted approval of the LAR to remove the cyber security license condition in November 2017.
17 This waived the requirement to implement the final phase of milestone 8 and complete the
18 project.

19 SDG&E obtained the status on this project during the daily plan-of-the day meetings, the
20 weekly participants meetings and the monthly project review meetings. SDG&E’s recorded
21 costs related to this distributed project were \$1.5 million (SDG&E share, 2014\$) which equals

³² 10 C.F.R. § 73.54.

³³ On January 23, 2018, after a restructuring Areva TN changed its name to Orano.

1 the 2017 SONGS 2&3 DCE forecast. This work was performed to fulfill an NRC legal
2 requirement and should be considered reasonable and appropriate.

3 **5. Emergency Planning Zone (“EPZ”) Siren Removal Project**

4 The EPZ siren removal project is included as a completed distributed project. Emergency
5 response sirens were located in the communities within a 10-mile radius of SONGS. The NRC,
6 along with the Federal Emergency Management Agency, determined in 2015 the emergency
7 notification sirens were no longer necessary because accident scenarios at the defueled nuclear
8 plant can no longer exceed Environmental Protection Agency protective action values that
9 recommend evacuation or sheltering in place.

10 Local communities were given the option of maintaining the sirens or poles for their own
11 use. While none are keeping the actual siren function, some jurisdictions are keeping the
12 physical infrastructure. The emergency response sirens were removed in 2019 and 2020.

13 SDG&E obtained the status on this project during the daily status meetings, weekly
14 participants meetings and the monthly project review meetings. Removing the sirens that the
15 cities did not want to retain was prudent because retaining them would have resulted in
16 continued maintenance expenses for equipment that was no longer required. SDG&E’s recorded
17 costs related to this distributed project were \$0.1 million (SDG&E share, 2014\$). The siren
18 removal project cost variance of \$0.1 million (SDG&E share, 2014\$) more than the 2017
19 SONGS 2&3 DCE forecast was due to this being an unknown requirement at the time the 2017
20 SONGS 2&3 DCE was issued. At the time the 2017 SONGS 2&3 DCE forecast was developed,
21 SCE expected the local communities to retain the emergency response sirens and therefore did
22 not include costs for this activity. This work to remove the emergency response sirens was
23 required and should be considered reasonable and appropriate.

D. Reasonableness Review of Undistributed Activities for SONGS 2&3 (T. Dalu)

For the 2021 NDCTP review SDG&E requests that the Commission approve as reasonable \$56.9 million (SDG&E share, 2014\$) billed by SCE in 2018 - 2020 for SONGS 2&3 undistributed activities. Table 6 shows SDG&E aggregated 2018 - 2020 recorded SONGS 2&3 undistributed activities costs compared to the 2017 SONGS 2&3 DCE.

**Table 6
Comparison of SDG&E Undistributed Activities Costs to the 2017 SONGS 2&3 DCE
(20% level, 2014\$ in millions)**

	Category	DCE	Recorded	Variance
1	Labor-Staffing			
2	Utility Staff	\$18.3	\$16.3	(\$2.0)
3	Security Force	\$6.7	\$9.2	\$2.5
4	Subtotal	\$25.0	\$25.5	\$0.5
5				
6	Decommissioning General Contractor Staff³⁴			\$2.4
7				
8	Non-Labor			
9	Fees, Permits and Leases	\$3.5	\$2.2	(\$1.3)
10	Plant Operations	\$6.6	\$7.6	\$1.0
11	Other Non-Labor	\$10.7	2.5	(\$8.2)
12	Subtotal	\$20.8	\$12.3	(\$8.5)
13				
14	Service Level Agreements			(\$2.4)
15				
16	Total Undistributed Activities Costs	\$64.9	\$56.9	(\$8.0)

The major categories of undistributed activities costs are labor-staffing, DGC staffing, non-labor and SLAs.

³⁴ In accordance with D.21-12-026, the contingency in the 2017 SONGS 2&3 DCE associated with the DGC Agreement has been reduced to 8%.

1 **1. Labor-Staffing**

2 Labor-staffing costs include the required staffing to provide the oversight, management
3 and other activities necessary to support the decommissioning project and the security force over
4 the spent fuel pool. This category of cost includes SCE labor costs, including applicable
5 overheads and short-term incentive program expenses and core contractors that are part of the
6 SONGS decommissioning organization. SDG&E was billed \$25.5 million (SDG&E share,
7 2014\$) for 2018 - 2020 labor-staffing costs, which was \$0.5 million (SDG&E share, 2014\$) over
8 the 2017 SONGS 2&3 DCE amount. The primary reason for the variance was that the 2017
9 DCE assumed that FTO would be complete mid-year 2019 instead of its actual completion in
10 August 2020, resulting in higher than estimated security force costs. This increase in costs was
11 offset by a decrease in utility staff due to a delayed decontamination and dismantlement
12 (“D&D”) start date, postponing SCE’s ramp up of additional decommissioning oversight
13 personnel required during D&D.

14 SDG&E considers the undistributed labor staffing costs recorded for 2018 - 2020 to be
15 appropriate and reasonable decommissioning expenses.

16 **2. DGC Staffing**

17 SDS is the DGC contractually responsible for completing major decommissioning
18 activities. The undistributed DGC staff were mobilized in early 2017 at which time, SCE
19 transitioned various management programs and functions to SDS. SDG&E was billed [REDACTED]
20 [REDACTED] (SDG&E share, 2014\$) for 2018 - 2020 DGC staffing costs, which was \$2.4 million
21 (SDG&E share, 2014\$) over the 2017 SONGS 2&3 DCE. The variance in DGC staffing costs
22 can be primarily attributed to a delay in issuing the D&D Phase II Notice to Proceed (“NTP”)
23 resulting in additional delay payments and COVID-19 delay payments incurred to avoid a

1 Covid-19 outbreak that would further delay the completion of FTO and the issuance of the NTP.
 2 Costs associated with these delay payments arose from DGCA change orders 29, 31, 42 and 54
 3 and are discussed in more detail by SCE witness Mr. Bilovsky in Ex. SCE-03 chapter IV.³⁵

4 SDG&E considers the undistributed DGC staffing costs recorded for 2018 - 2020 to be
 5 appropriate and reasonable decommissioning expenses.

6 **3. Non-Labor**

7 The undistributed non-labor costs billed to SDG&E have been grouped into three major
 8 categories, which include: fees, permits and leases; plant operations; and other non-labor
 9 activities. SDG&E's total non-labor recorded costs for 2018 - 2020 was \$12.3 million (SDG&E
 10 share, 2014\$), which was \$8.5 million under the undistributed non-labor costs forecasted in the
 11 2017 SONGS 2&3 DCE. Table 7 shows SDG&E's aggregated 2018 - 2020 recorded SONGS
 12 2&3 undistributed non-labor costs compared to the 2017 SONGS 2&3 DCE.

13 **Table 7**
 14 **Comparison of SDG&E Undistributed Non-Labor Activities Costs to the 2017 DCE**
 15 **(20% level, 2014\$ in millions)**

	Category	DCE	Recorded	Variance
1	Undistributed Non-Labor			
2	Fees, Permits and Leases			
3	NRC Fees	\$0.5	\$0.7	\$0.2
4	Site Lease and Easement Expenses	\$1.5	\$0.2	(\$1.3)
5	Environmental Permits and Fees	\$0.1	\$0.2	\$0.1
6	Emergency Preparedness Fees	\$1.1	\$0.9	(\$0.2)
7	Association Fees and Expenses	\$0.3	\$0.2	(\$0.1)
8	Subtotal	\$3.5	\$2.2	(\$1.3)
9				
10	Plant Operations			
11	Contracted Services	\$5.9	\$6.4	\$0.5
12	COVID-19 Impacts	-	\$0.6	\$0.6
13	Security Related Expenses	\$0.3	\$0.2	(\$0.1)
14	Decommissioning Advisor	\$0.4	\$0.4	\$0.0
15	ISFSI Aging Management	\$0.0	-	\$0.0

³⁵ Ex. SCE-03 at 63-66.

16	Utility Staff Health and Physics Supplies	-	\$0.0	\$0.0
17	Tools and Equipment	-	\$0.0	\$0.0
18	Subtotal	\$6.6	\$7.6	\$1.0
19				
20	Other Non-Labor			
21	Insurance	\$1.3	(\$5.3)	(\$6.5)
22	Energy	\$3.0	\$1.5	(\$1.5)
23	Severance	\$3.8	\$2.8	(\$1.0)
24	Information Technology	\$1.1	\$1.7	\$0.6
25	CEQA Reporting	-	\$0.3	\$0.3
26	DGC Executive Oversight Committee	\$0.2	-	(\$0.2)
27	Third-Party Legal	\$0.6	\$0.8	\$0.2
28	Community Engagement Panel	\$0.4	\$0.4	\$0.0
29	Water	\$0.3	\$0.3	\$0.0
30	Subtotal	\$10.7	\$2.5	(\$8.2)
31				
32	Total Undistributed Non-Labor Activities Costs	\$20.8	\$12.3	(\$8.5)

1 Provided below are the descriptions of each non-labor activity and the variance
2 explanation to the 2017 SONGS 2&3 DCE.

3 **a. Fees, Permits, and Leases**

4 NRC Fees – SDG&E was billed \$0.7 million (SDG&E share, 2014\$) for NRC fees for
5 2018 - 2020. The 10 C.F.R. Part 171.15 annual license fees and 10 C.F.R. Part 170.12 inspection
6 fees are required to be paid until the NRC licenses are terminated and were \$0.2 million
7 (SDG&E share, 2014\$) higher than the 2017 SONGS 2&3 DCE. The primary reason for the
8 variance can be attributed to higher than estimated NRC inspection hours due to the August 3,
9 2018 canister handling event.

10 Site Lease and Easement Expenses – SDG&E was billed \$0.2 million (SDG&E share,
11 2014\$) for site lease and easement expenses for 2018 - 2020. These fees were required in order
12 to make annual easement and lease payments to the Navy for the onshore plant site, the SONGS
13 Mesa facility and to the CLSC for the SONGS 2&3 offshore conduits. Site lease and easement
14 expenses were \$1.3 million (SDG&E share, 2014\$) lower than the 2017 SONGS 2&3 DCE. The

1 variance of \$1.3 million is primarily a result of SCE not billing SDG&E for accruals. The
2 variance at the 100% level is an increase of \$0.3 million over the 2017 DCE.

3 Environmental Permits and Fees – SDG&E was billed \$0.2 million (SDG&E share,
4 2014\$) for environmental permits and fees for 2018 - 2020. These costs were \$0.1 million
5 higher than those estimated in the 2017 SONGS 2&3 DCE and were necessary to comply with a
6 variety of environmental regulations. These costs included environmental permits that required
7 periodic payment and fees.

8 Emergency Preparedness Fees – SDG&E was billed \$0.9 million (SDG&E share, 2014\$
9 for emergency preparedness fees for 2018 - 2020. SCE provided funding to local jurisdictions
10 for the management of radiological emergency preparedness, including planning, response, and
11 recovery activities and paid fees in accordance with a Memorandum of Understanding, updated
12 in 2020, with the counties of Orange and San Diego and the three cities of San Clemente, San
13 Juan Capistrano, and Dana Point. These costs will continue until all spent fuel has been removed
14 from SONGS and were \$0.2 million (SDG&E share, 2014\$) lower than those forecasted in the
15 2017 SONGS 2&3 DCE.

16 Association Fees and Expenses – SDG&E was billed \$0.2 million (SDG&E share,
17 2014\$) for association fees and expenses for 2018 - 2020. These costs included Nuclear Energy
18 Institute membership fees and costs related to an external Nuclear Oversight Board and were
19 \$0.1 million (SDG&E share, 2014\$) lower than those forecasted in the 2017 SONGS 2&3 DCE.

20 SDG&E considers all fees, permits and leases costs recorded for 2018 - 2020 to be
21 appropriate and reasonable decommissioning expenses.

1 **b. Plant Operations**

2 Undistributed plant operation expenses are typically time dependent, recurring,
3 unavoidable costs associated with activities necessary for plant operations and maintenance, that
4 are not directly attributable to a specific project or project scope. Plant operation expenses
5 recorded for 2018 - 2020 include contracted services, COVID-19 impacts, decommissioning
6 advisor costs and security related expenses.

7 Contracted Services – SDG&E was billed \$6.4 million (SDG&E share, 2014\$) for
8 contracted services for 2018 - 2020. The undistributed contracted services category was used for
9 services and activities needed to meet regulatory requirements related to the safe storage of spent
10 fuel on-site; and to provide services required to maintain the plant and general facility.

11 Contracted service costs incurred were typically for shorter-term supplemental resources,
12 specialty contractors and consultants, third-party services, materials, equipment and supplies.

13 Contracted services were \$0.5 million (SDG&E share, 2014\$) higher than the 2017 SONGS 2&3
14 DCE due a delay in the completion of FTO, additional engineering and maintenance services for
15 the spent fuel pool island, a repair of a substation water line break and repairs to the seawall,
16 walkway and rip rap.

17 COVID-19 Impacts – SDG&E was billed \$0.6 million for costs associated with the
18 COVID-19 pandemic. These costs were incurred in order to mitigate the risks of a COVID-19
19 outbreak occurring at SONGS. These costs included the sequestration of security officers and
20 plant operators and increased disinfection and cleaning services and pandemic-related supplies.

21 Security Related Expenses – SDG&E was billed \$0.2 million (SDG&E share, 2014\$) for
22 security related expenses for 2018 - 2020. These costs covered uniforms, weapons, ammunition,
23 background investigations, training and vendor support for the security force needed to secure

1 the spent fuel. Security related expenses were \$0.1 million (SDG&E share, 2014\$) lower than
2 those forecasted in the 2017 SONGS 2&3 DCE.

3 Decommissioning Advisor – SDG&E was billed \$0.4 million (SDG&E share, 2014\$) for
4 decommissioning advisor costs for 2018 - 2020 and included outside consultants who provided
5 subject matter expertise regarding decommissioning regulatory issues, spent fuel storage and
6 project management. These costs were consistent with those estimated in the 2017 DCE.

7 SDG&E considers all plant operations costs recorded for 2018 - 2020 to be appropriate
8 and reasonable decommissioning expenses.

9 **c. Other Non-Labor**

10 The other non-labor expense grouping consists of various recurring or unavoidable fees
11 and other payments required for decommissioning. Other non-labor costs recorded for 2018 -
12 2020 are insurance, energy, severance, information technology, CEQA reporting, third-party
13 legal, community engagement panel, and water.

14 Insurance – SDG&E was billed a credit of \$5.3 million (SDG&E share, 2014\$) for
15 insurance costs. This included a \$5.7 million (SDG&E share, 2014\$) credit for NEIL insurance
16 dividends received during 2018 - 2020. These insurance dividends offset the required nuclear
17 liability and property insurance as well as the general liability and workers compensation
18 insurance resulting in a \$6.5 million (SDG&E share, 2014\$) underrun from insurance costs
19 estimated in the 2017 SONGS 2&3 DCE.

20 Energy – SDG&E was billed \$1.5 million (SDG&E share, 2014\$) for energy costs
21 needed to power the SONGS site for 2018 - 2020. These costs were \$1.5 million (SDG&E
22 share, 2014\$) lower than those forecasted in the 2017 SONGS 2&3 DCE due to the delay in the

1 Phase II D&D NTP and because fewer people were working on site during 2020 due to the
2 COVID-19 pandemic.

3 Severance – SDG&E was billed \$2.8 million (SDG&E share, 2014\$) for severance
4 benefit costs for 2018 - 2020. These benefits were needed for SCE employees at SONGS whose
5 jobs were eliminated as a result of FTO being completed. Severance benefits were \$1.0 million
6 (SDG&E share, 2014\$) lower than those forecasted in the 2017 SONGS 2&3 DCE as a result of
7 fewer educational reimbursements and outplacement services being utilized for employees
8 severed during 2018 - 2020.

9 Information Technology – SDG&E was billed \$1.7 million (SDG&E share, 2014\$) for
10 information technology (“IT”) costs for 2018 - 2020. These costs included software and network
11 licenses, pay network service providers and internal technical support needed at the SONGS site.
12 Costs were \$0.6 million (SDG&E share, 2014\$) higher than the 2017 SONGS 2&3 DCE due to a
13 delay in the transition of the decommissioning agent network originally scheduled to be
14 transitioned in 2019 but instead transitioning in 2020. This resulted in the anticipated decrease in
15 IT costs being delayed by a year.

16 CEQA Reporting – SDG&E was billed \$0.3 million (SDG&E share, 2014\$) for costs
17 incurred as a result of the CEQA review and approval of the CDP. These costs were not
18 included in the 2017 SONGS 2&3 DCE as they were not known at that time of the 2017 DCE
19 and the CDP had not been obtained.

20 Third-Party Legal – SDG&E was billed \$0.8 million (SDG&E share, 2014\$) for third-
21 party legal costs incurred during 2018 - 2020. These costs were \$0.2 million (SDG&E share,
22 2014\$) higher than the 2017 SONGS 2&3.

1 Community Engagement Panel – SDG&E was billed \$0.4 million (SDG&E share,
2 2014\$) for SONGS community engagement panel costs incurred during 2018 - 2020. These
3 costs are consistent with those estimated in the 2017 SONGS 2&3 DCE and covered the cost of
4 periodic meetings with the public to provide information on various issues, including
5 decommissioning plans, spent fuel management, emergency planning, security and the
6 environmental review process.

7 Water – SDG&E was billed \$0.3 million (SDG&E share, 2014\$) for potable and service
8 water required for the SONGS site for 2018 - 2020. These costs are consistent with those
9 estimated in the 2017 SONGS 2&3 DCE.

10 SDG&E considers all other non-labor costs recorded for 2018 - 2020 to be appropriate
11 and reasonable decommissioning expenses.

12 **4. Service Level Agreement**

13 The SLAs cost category represents costs incurred from SCE intra-company agreements
14 between SCE Corporate and SONGS, to provide A&G functions (e.g., Controller’s, Audits, Risk
15 Management, Law, etc.) required to support decommissioning activities. SDG&E was billed
16 [REDACTED] (SDG&E share, 2014\$) for 2018 - 2020 SLA costs, which was \$2.4 million
17 (SDG&E share, 2014\$) under what was forecasted in the 2017 SONGS 2&3 DCE. The lower
18 than estimated SLA costs can be attributed to lower corporate security costs caused by security at
19 the Mesa site being transferred to SONGS security, not included in the SLA, lower IT costs due
20 to SONGS application support transferring to the SONGS DA IT team, lower contractor support
21 of CPUC regulatory affairs required and lower audit services and controller organization costs.

22 SDG&E considers the undistributed SLA costs recorded for 2018 to 2020 to be
23 appropriate and reasonable decommissioning expenses.

For all of the above undistributed activities costs identified, SDG&E considers these costs to be appropriate and reasonable decommissioning expenses.

V. SDG&E-ONLY COSTS INCURRED IN 2018 - 2020 ARE REASONABLE (J. FERNANDEZ)

In 2018 - 2020, SDG&E incurred SDG&E-only costs of \$4.5 million (2014\$) specifically related to decommissioning SONGS 1 and 2&3. SDG&E was responsible for and paid 100% of these costs and they were not billed to SDG&E by SCE nor were they shared by SCE.

These costs are organized into two high-level categories: labor and non-labor. Labor refers to SDG&E internal labor. Non-labor has several components including consulting, outside legal, property taxes, and other non-labor expenses. Shown below in Table 8 are SDG&E’s actual internal costs for 2018 - 2020, in (2014\$), compared to SDG&E’s forecasted internal costs in the 2017 SONGS 2&3 DCE in (2014\$).

**Table 8
Comparison of SDG&E 2018 -2020 Recorded SDG&E-Only Costs to the DCE
(SDG&E Share, 2014\$ in millions)**

	Category	DCE ³⁶	Recorded ³⁷	Variance
1	Labor³⁸	\$3.9	\$3.5	(\$0.4)
2				
3	Non-Labor			
4	Consultant and Outside Legal	\$0.8	\$0.1	(\$0.7)
5	Property Tax	\$4.0	\$0.8	(\$3.2)
6	Other Non-Labor Costs ³⁹	\$0.1	\$0.1	\$0.0
7	Non-Labor Subtotal	\$4.9	\$1.0	(\$3.9)
8				
9	Total SDG&E-Only Costs	\$8.8	\$4.5	(\$4.3)

³⁶ These estimates include pensions and benefits, other labor loaders and purchasing overheads.

³⁷ These numbers include pensions and benefits, other labor loaders and purchasing overheads.

³⁸ These labor costs also include internal labor loaders, such as pension and benefits, performance incentives, payroll taxes, worker’s compensation, vacation, sick and paid leave.

³⁹ Examples of “Other Non-Labor Costs” are employee expenses and lease payments.

1 SDG&E respectfully requests that the Commission find that SDG&E's total for SDG&E-
2 only SONGS decommissioning costs of \$4.5 million (2014\$) for 2018 - 2020 are reasonable.

3 **A. SDG&E Labor Costs**

4 In 2018 - 2020, SDG&E incurred labor costs of \$3.5 million (2014\$) for its role in
5 overseeing activities at the plant and reviewing the costs. SDG&E's SONGS team had a total of
6 six employees, including a Manager of Nuclear Decommissioning, responsible for managing the
7 SONGS team to ensure that SDG&E's oversight is effective, a Fiscal Manager, dedicated to
8 ensuring that billed and SDG&E internal costs are reviewed, reported and in compliance with
9 CPUC and NRC requirements, an on-site Principal Nuclear Decommissioning Advisor and three
10 financial/budget analysts dedicated to accounting and reporting for SONGS decommissioning
11 and other fiscal management activities required as a minority owner of SONGS.

12 SDG&E's Principal Nuclear Decommissioning Advisor reviewed day-to-day
13 decommissioning activities and progress, by attending daily plant meetings and weekly project
14 status updates and provided regular contact and interaction with SONGS decommissioning
15 management and personnel. In addition, the SDG&E on-site employee served as the alternate
16 representative on the SONGS Budget Committee, providing the SDG&E Budget Committee
17 representative with valuable insight as to decommissioning operations on the ground on a real-
18 time basis. The Manager of Nuclear Decommissioning attended all executive level meetings at
19 SONGS and served as an alternate on the SONGS Executive Committee. The Manager also was
20 the SDG&E witness for policy and reasonableness review in the NDCTPs.

21 The SONGS Fiscal Manager served as the SDG&E SONGS Budget Committee
22 Representative, the SONGS Fiscal Committee Representative, the SDG&E SONGS Audit
23 Committee representative to oversee the annual review of SONGS decommissioning costs and

1 was the SDG&E witness for SONGS fiscal matters in the NDCTPs. This manager oversees the
2 Fiscal Team, which included three financial/budget analysts (two senior level and one staff),
3 responsible for reviewing invoices, tracking expenditures against SCE-internal budgets and DCE
4 estimates, and performing monthly variance analysis used to enhance oversight of SONGS billed
5 costs. In addition, the Fiscal Team was responsible for preparing and tracking all monthly trust
6 withdrawals and reporting them in compliance with NRC and CPUC requirements, supporting
7 the SDG&E SONGS internal audit and preparing all information needed for SONGS
8 decommissioning regulatory filings. In 2018 - 2020, SDG&E received invoices for
9 decommissioning work associated with obtaining the CEQA Permit and Approvals, ISFSI
10 Expansion and FTO, and various DGC milestone payments for D&D and associated waste
11 shipments. These projects not only require a review and approval of billed costs, but also require
12 analysis of the incurred cost compared to the DCE estimates, analysis and understanding of
13 change orders, and analysis of potential impacts to other projects or decommissioning work.

14 Specific project work undertaken at SONGS in 2018 - 2020 that SDG&E monitored
15 included detailed budget review, approval and reporting, work related to business governance of
16 SDG&E's 20% ownership stake in SONGS, continued decommissioning planning activities,
17 coordination and oversight of the CEQA requirements and filings, oversight of ISFSI expansion
18 and FTO through completion, preliminary reactor vessel removal work, D&D and removal of
19 waste. These activities were in addition to other work that SDG&E manages including, but not
20 limited to, regulatory and legal reporting requirements, ad hoc analysis of various proposals, and
21 coordination with outside legal and nuclear experts as needed.

1 As shown in Table 8 above, SDG&E-only labor costs⁴⁰ in 2018 - 2020 were slightly
2 lower by \$0.4 million (2014\$) than what was forecasted in the 2017 SDG&E-only DCE. The
3 2017 SDG&E-only DCE forecasted six employees for SDG&E-only labor costs. In 2018 - 2020,
4 the SONGS Team averaged six full time employees, in line with the DCE.

5 **B. SDG&E Non-Labor Costs**

6 **1. Consultant and Outside Legal Counsel**

7 To supplement its decommissioning oversight, SDG&E retained nuclear
8 decommissioning expert consultants, Mr. Levin and Mr. Carignan. Mr. Levin provided NDCTP
9 regulatory support and assisted SDG&E with its review of the Nuclear Spent Fuel Strategic Plan.
10 Mr. Carignan provided an independent assessment of SCE's decommissioning activities and
11 assisted SDG&E with its review of the 2017 DCE, which was filed in 2018. Because of Mr.
12 Levin's and Mr. Carignan's extensive industry knowledge and previous experience with
13 decommissioning, SDG&E believes it is appropriate to use their services. SDG&E retained
14 outside legal counsel to provide legal advice and counsel for miscellaneous decommissioning
15 issues. SDG&E incurred a total of \$0.1 million (2014\$) in costs associated with consulting and
16 outside counsel legal expenses.

17 The actual non-labor costs for consultants and outside legal compared to the 2017
18 SONGS-Only DCE forecasted non-labor cost of \$0.8 million (2014\$) for consultants and outside
19 legal was lower by \$0.7 million (2014\$); the variance is primarily due to lower legal costs as the
20 DCE captured the potential legal work that did not materialize during 2018-2020.

⁴⁰ Labor costs also include internal labor overheads such as pension and benefits, performance incentives, payroll taxes, worker's compensation, vacation, sick and paid leave.

1 **2. Property Taxes**

2 SDG&E paid property taxes related to SONGS of \$0.8 million (2014\$) in the 2018 -
3 2020 period. SDG&E property taxes related to its ownership in SONGS are assessed by the
4 California State Board of Equalization and allocated to the various counties where SDG&E
5 property is located. Property taxes in 2018 - 2020 were lower by \$3.2 million (2014\$) than what
6 was forecasted in the 2017 SDG&E-only DCE. The variance between the actual amounts paid
7 and the 2017 SDG&E-only DCE is the result of a favorable property tax appeal ruling that
8 established that effective July 1, 2018, SDG&E is no longer assessed property tax on the SONGS
9 facility.

10 **3. Other Non-Labor**

11 In 2018 - 2020, SDG&E incurred non-labor costs of \$0.1 million (2014\$) for
12 decommissioning and oversight activities. SDG&E's Other Non-Labor costs consist of
13 employee expenses, such as training, travel related costs, miscellaneous office expenses and
14 lease/easement payments made to the Department of the Navy. Actual other non-labor costs, in
15 2018 - 2020, were consistent with those forecasted in the 2017 SDG&E-only DCE estimate.

16 **C. 2018-2020 Undistributed Costs by Cost Categorization Guidelines**

17 In D.18-11-034, the Commission ordered SCE and SDG&E to meet with Energy
18 Division staff and other interested parties to develop protocols for recording staff time to
19 distributed activities, and to define what activities will be considered undistributed and
20 distributed activities.⁴¹ The Commission also ordered SDG&E to update its cost categorization
21 structure so that recordkeeping will directly and transparently reflect the appropriate location,

⁴¹ D.18-11-034 OP 5.

1 and the appropriate detail, and support for distributed activities.⁴² Accordingly, SDG&E
 2 participated in various workshops with the Energy Division, SCE, and interested parties (Cal
 3 Advocates, TURN, and the Alliance for Nuclear Responsibility or A4NR) to discuss these issues.
 4 In June 2019, the parties (SCE, SDG&E, and TURN) finalized the Cost Categorization
 5 Guidelines (“Guidelines”), which provide a greater level of detail for undistributed costs and
 6 assist the Commission and interested parties in reviewing the reasonableness of these costs. In
 7 accordance with these Guidelines, SDG&E is including supplemental Table 9 below, which
 8 categorizes its 2018 - 2020 SDG&E-only costs into the following three main categories: (1)
 9 Decommissioning Project Oversight Costs; (2) Site Costs; and (3) A&G Support Costs.

10 **Table 9**
 11 **Comparison of SDG&E 2018 -2020 Recorded SDG&E-Only Costs to the DCE**
 12 **By Cost Categorization Categories**
 13 **(SDG&E Share, 2014\$ in millions)**
 14

	Category	DCE	Recorded	Variance
1	Labor			
2	Oversight	\$1.7	\$1.7	\$0.0
3	Site Costs	-	-	-
4	A&G Support	\$2.2	\$1.8	(\$0.4)
5	Total Labor	\$3.9	\$3.5	(\$0.4)
6				
7	Non-Labor			
8	Oversight	\$0.3	\$0.1	(\$0.2)
9	Site Costs	\$0.1	\$0.1	\$0.0
10	A&G Support	\$4.5	\$0.8	(\$3.7)
11	Non-Labor Subtotal	\$4.9	\$1.0	(\$3.9)
12				
13	Total SDG&E-Only Costs	\$8.8	\$4.5	(\$4.3)

15
 16 This concludes our prepared direct testimony.

⁴² *Id.*, OP12.

1 **VI. STATEMENT OF QUALIFICATIONS**

2 **WITNESS QUALIFICATION OF CHARLES D. LADD**

3 My name is Charles D. Ladd and my business address is 5000 South Pacific Coast
4 Highway, San Clemente, California 92674. I am employed by SDG&E as the Principal Nuclear
5 Decommissioning Advisor, responsible for representing SDG&E's interests in the
6 decommissioning of SONGS by providing on-site oversight of the project. I attend on-site
7 routine project meetings related to schedule, status, cost, contract changes and technical issues
8 and make field observations of work in progress in the plant as SDG&E's subject matter expert.
9 I have been employed by SDG&E and in this position since January 2017.

10 I have over 30 years of experience with managing commercial nuclear power plants and
11 other nuclear facilities. I held several management positions at Florida Power and Light's
12 ("FPL") St. Lucie nuclear plant including Shift Manager and Operations Manager. St. Lucie is a
13 dual unit Combustion Engineering designed pressurized water reactor with a very similar design
14 to SONGS. After leaving FPL, I held the positions of licensing manager, and plant manager and
15 then worked as a nuclear industry consultant for major projects. As a consultant, I was a senior
16 project manager for large nuclear industry projects including steam generator replacements,
17 extended power uprates, Fukushima modifications, and the SONGS Cold and Dark project.

18 I hold a Bachelor of Science in Applied Science and Technology degree from Thomas
19 Edison State College. While at St. Lucie nuclear plant I maintained an active USNRC senior
20 reactor operator license. I maintain Project Management Professional certification with the
21 Project Management Institute.

22 I have previously submitted testimony before the California Public Utilities Commission.

1 **WITNESS QUALIFICATIONS FOR JUAN C. FERNANDEZ**

2 My name is Juan C. Fernandez. My business address is 8315 Century Park Court, San
3 Diego, CA 92123. I am employed by SDG&E as a Principal Business Analyst, responsible for
4 supporting SDG&E’s fiscal oversight role of in the decommissioning of the San Onofre Nuclear
5 Generation Station. My primary duties involve review of decommissioning charges, accounting
6 and reporting in support of all fiscal and regulatory functions associated with San Onofre. I have
7 been in this role since 2017. Prior to this role, and since 2006, I have held various accounting
8 roles within SDG&E and Sempra Energy in support of the Power Generation and Transmission
9 Revenue groups. Prior to joining SDG&E, I spent nine years at Seminole Electric Cooperative
10 in Tampa, FL, where I was the Generation Accounting Supervisor overseeing accounting
11 functions for Seminole owned coal and natural gas fired generating facilities.

12 I received a Bachelor of Science in Accounting from the University of Florida.

13 I have not previously submitted testimony or testified before this Commission

ATTACHMENT A

**DECLARATION OF ESTELA M. DE LLANOS REGARDING CONFIDENTIALITY OF
CERTAIN DATA/DOCUMENTS PURSUANT TO D.17-09-023**

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

**DECLARATION OF ESTELA M. DE LLANOS
REGARDING CONFIDENTIALITY OF CERTAIN DATA/DOCUMENTS
PURSUANT TO D.17-09-023**

I, Estela M. de Llanos, do declare as follows:


1. I am Vice President – Energy Procurement and Sustainability for San Diego Gas & Electric Company (“SDG&E”). I have reviewed the confidential information included in SDG&E’s Direct Testimony (“Exhibit SDGE-02C), submitted concurrently herewith. I am personally familiar with the facts in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or information and belief.

2. I hereby provide this Declaration in accordance with Decision (“D.”) 17-09-023 and General Order (“GO”) 66-D to demonstrate that the confidential information (“Protected Information”) provided in the Testimony is within the scope of data protected as confidential under applicable law.

3. In accordance with the narrative justification described in Exhibit 1, the Protected Information should be protected from public disclosure.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 24th day of February, 2022, at San Diego.



Estela M. de Llanos
Vice President – Energy Procurement and
Sustainability

EXHIBIT 1

**SDG&E REQUEST FOR CONFIDENTIALITY
ON THE FOLLOWING INFORMATION IN TESTIMONY**

Location of Protected Information	Legal Citations	Narrative Justification
<p>Gray shaded portions of direct testimony SDGE-02C at table 6 page 23 and at page 24 and 31.</p>	<p>California Gov. Code § 6255 (the public interest served by not disclosing the information is clearly outweighed by the public interest served by disclosure of the record).</p> <p>CPRA Exemption, Gov. Code § 6254(k) (“Records, the disclosure of which is exempted or prohibited pursuant to federal or state law”).</p> <p><i>See, e.g.,</i> D.11-01-036, 2011 WL 660568 (2011) (agreeing that confidential prices and contract terms specifically negotiated with a program vendor is proprietary and commercially sensitive and should remain confidential).</p>	<p>The Protected Information includes confidential contract cost and terms.</p> <p>Market-sensitive contract cost and term information, if disclosed could provide market participants, competitors, and vendors competitors with insight into SCE’s and SDG&E’s activities, plans, scope, sequence and other strategies, which would place SCE and SDG&E at an unfair business disadvantage. This could ultimately result in increased cost to ratepayers. If disclosed, SCE’s and SDG&E’s competitors and market participants could also derive economic value from this information.</p> <p>For example, if a vendor seeking to bid on a subcontract or another activity knew the previously negotiated pricing terms, the vendor would have an opportunity to adjust its bid prices (e.g., the vendor could bid higher than it otherwise may have bid). Public release of this information could also hinder SCE’s ability to obtain favorable contract terms for any required work, labor, materials or supplies not covered under these agreements.</p> <p>In addition, market participants, competitors and vendors competitors could misuse the information during the bidding process for other similar utility projects across the world and potentially threaten the financial health of both companies, to the detriment of the companies’ financial health to complete contractually required services for SONGS in the future without interruption.</p>