

Application No.: A.22-02-016
Exhibit No.: SDGE-04-A
Witnesses: Jack M. Guidi
Marvin K. Tong
Ragan G. Reeves
Eric L. Dalton

AMENDED
PREPARED DIRECT TESTIMONY
ON BEHALF OF
SAN DIEGO GAS & ELECTRIC COMPANY
(Financial Modeling, Trust Fund Contributions, Tax Issues and Regulatory Accounting)



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

July 29, 2022

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

**I. AMOUNT OF NUCLEAR DECOMMISSIONING TRUST FUND
CONTRIBUTIONS (J. GUIDI)**

A. Introduction

The purpose of my testimony is to review, update and provide support that San Diego Gas & Electric Company (“SDG&E”) San Onofre Nuclear Generating Station (“SONGS”) Units 1 – 3 (“SONGS 1 – 3”) Nuclear Decommissioning Trusts (“NDT”, “NDTs”, or “Trusts”)¹ are adequately funded for this triennial period and no contributions are required.

B. Present Funding Levels and Trust Balances for SONGS 1 - 3

SDG&E does not currently contribute funds to its SONGS Unit 1 (“SONGS 1” or “Unit 1”) NDTs. As of December 31, 2021, the market value of SDG&E’s NDTs for SONGS 1 was \$152.7 million.² This equates to a liquidation value, after fees and taxes, of \$149.3 million. The liquidation value of the NDTs represents the amount of funds available to fund decommissioning activities.

SDG&E does not currently contribute funds to its SONGS Units 2&3 (“SONGS 2&3” or “Units 2&3”) NDTs. As of December 31, 2021, the market value of SDG&E’s Trusts for SONGS Unit 2 (“SONGS 2” or “Unit 2”) was \$393.5 million and SONGS Unit 3 (“SONGS 3” or “Unit 3”) was \$465.8 million. This equates to a liquidation value, after fees and taxes, of \$362.0 million for SONGS 2 and \$425.6 million for SONGS 3. The liquidation value of the Trusts represents the amount of funds available to fund decommissioning activities.

¹ This includes the Non-Qualified and Qualified trusts for SONGS 1 & 2 and the Qualified trust for SONGS 3. SONGS 3 only has funding in the Qualified trust at this time.

² The total trust balance for all three Units was publicly reported in SDG&E’s 10-K, filed on February 25, 2022.

1 **C. Calculating Annual Decommissioning Contributions**

2 There are four key elements used in determining the annual rate payer contribution
3 amount: (1) trust fund liquidation values, (2) current-dollar decommissioning cost studies,
4 (3) cost escalation rates,³ and (4) after-tax rates of return. Annual cost escalation rates convert
5 the DCE from current dollars to the dollars of the year when they will actually be incurred, and
6 these future cost estimates are treated as withdrawals from the trust fund balances. The
7 estimated after-tax rates of return are used to calculate the expected growth in the
8 decommissioning trust fund balances. SDG&E forecasts that the Trusts contain sufficient funds
9 to complete SDG&E’s share of SONGS Units 1 - 3 decommissioning and as a result, SDG&E
10 proposes that ratepayer contributions to the Trusts remain at zero (\$0.00).

11 Using the current financial assumptions and the resulting liquidation value of the NDTs,
12 the SCE 2020 SONGS 1 DCE,⁴ projected escalation of decommissioning costs, SDG&E-only
13 costs, and estimated trust returns net of management fees, SDG&E forecasts that the NDTs
14 contain sufficient funds to complete SDG&E’s 20 percent share of SONGS Unit 1
15 decommissioning and to cover SDG&E-only costs. Therefore, SDG&E proposes to maintain the
16 annual ratepayer contribution rate at zero (\$0.00). This is based on SDG&E’s 20 percent share of
17 the SCE 2020 SONGS 1 DCE as well as SDG&E-only costs, for a total of \$46.2 million (2022\$),
18 for the years 2022 - 2053.⁵ This calculation includes SDG&E’s 20 percent share of the DCE, as
19 well as the SDG&E-only costs outlined in Attachment A to Ex. SDGE-03.

³ SDG&E uses the same cost escalation rates for this testimony that Southern California Edison Company (“SCE”) uses.

⁴ The SCE 2020 SONGS 1 DCE as provided in Exhibit (“Ex.”) SCE-04.

⁵ The contribution model employs decommissioning costs for SONGS 1-3 in 2022 base dollars to calculate contribution requirements.

1 Using the current liquidation value of the Trusts, the 2020 SONGS 2&3 DCE,⁶ projected
2 escalation of decommissioning costs, SDG&E-only costs, and estimated trust returns net of
3 management fees, SDG&E forecasts that the Trusts contain sufficient funds to complete
4 SDG&E's 20 percent share of SONGS 2&3 decommissioning and to cover SDG&E-only costs.
5 Therefore, SDG&E proposes the annual ratepayer contribution rate remain at zero (\$0.00).

6 SDG&E's share of SONGS decommissioning costs is estimated to be \$315.5 million
7 (2022\$) for SONGS 2 and \$365.2 million (2022\$) for SONGS 3, for the years 2022 - 2053. This
8 calculation includes SDG&E's 20 percent share of the DCE as well as the SDG&E-only costs
9 outlined in Attachment A to Ex. SDGE-03.

10 The funding could change based on many factors including but not limited to, changes in
11 economic conditions, changes in timing of and/or amount of decommissioning costs, changes in
12 interest rates, and changes in escalation rates. In addition, SDG&E's request for \$0.00 (zero)
13 contributions at this time is not a waiver of any future requests by SDG&E for ratepayer
14 contributions to the Trusts. Similar to SCE, SDG&E proposes that the Commission allow the
15 option of updating SDG&E's NDT fund balances and financial assumptions after the close of
16 hearings in this application and updating SDG&E's required contribution levels accordingly, so
17 the Commission can have the latest information available as it decides the 2021 NDCTP
18 Application. A post-hearing update will allow the Commission to consider changes in NDT fund
19 balances after this Application is filed.

⁶ The Kenrich 2020 DCE, dated August 19, 2021, provided as Appendix B to Ex. SCE-04.

1 **II. FINANCIAL ASSUMPTIONS AND RATE OF RETURN (M. TONG)**

2 **A. Introduction**

3 In this testimony, I address the financial assumptions, rate of return, and overall
4 investment management of SDG&E’s NDTs.

5 **B. Trust Funds**

6 California statute and the California Public Utilities Commission (“CPUC” or “the
7 Commission”) require SDG&E to establish externally managed trust funds as the vehicles for
8 accumulating funds for the decommissioning of SONGS. SDG&E established one trust as the
9 vehicle to hold the decommissioning funds for contributions that qualify for an income tax
10 deduction under Section 468A of the Internal Revenue Code (“Qualified Trust”). SDG&E also
11 established one Non-Qualified Trust, which does not qualify for an income tax deduction under
12 Section 468A of the IRC (“Non-Qualified Trust”). SDG&E refers to the Qualified Trust and the
13 Non-Qualified Trust for SONGS 1, 2 and 3 collectively as “the Trust.”

14 **C. Portfolio Management and Asset Allocations**

15 In 2022, The SDG&E Nuclear Decommissioning Trust Fund Committee (“Committee”)
16 engaged LCG Associates to perform an updated asset allocation study (“Study”) of the SONGS
17 2&3 Qualified Trust to review the equity scale down and investment allocations based on the
18 updated cash flows as per the 2020 Decommissioning Cost Estimate (“DCE”) prepared by The
19 Kenrich Group, LLC (“Kenrich”). Based on this Study the Committee at the meeting in March
20 2022, decided to maintain the current equity allocation of 42% for SONGS 2&3 until 2027
21 where the equity allocation will be reduced to 30%.

22 SDG&E’s Trust allocations are targeted to minimize downside risk while maintaining a
23 margin of safety at the end of the decommissioning to account for unexpected costs. The
24 purpose of extending SDG&E’s 42% equity allocation through 2026 and reducing it to a 30%

1 allocation by the end of 2027 is to more closely align with updated expected capital outlays and
2 reduce equity market risk in the years immediately prior to and during the years in which
3 substantial decommissioning costs are expected to be incurred. From 2027 through 2047, the
4 Qualified Trust will maintain the 30% equity allocation until 2048 when the equity portfolio will
5 be fully liquidated and all trust funds will be invested 50% in municipal bonds and 50% in short
6 duration fixed income for the remaining years of decommissioning.

7 SDG&E will continue to invest the equity portion of its SONGS 2&3 Qualified Trust in
8 domestic and international securities. The weighting to domestic equity and international equity
9 will continue to be approximately 70 percent and 30 percent, respectively.

10 SDG&E will invest its fixed income portion of its SONGS 2&3 Qualified Trust in
11 intermediate municipal bonds, intermediate credit, and high-quality short duration securities.
12 The weighting to intermediate municipal bonds and intermediate credit will be split evenly
13 across the two asset classes. The weighting to high quality short duration securities will vary
14 depending upon 12 month rolling liquidity requirements.

15 Both SDG&E's SONGS 1 Qualified Trust and SONGS 1 Non-Qualified Trust are
16 currently allocated 100 percent to fixed income. The investments in SDG&E's SONGS 2&3
17 Qualified Trust are currently allocated approximately 42 percent to equities and 58 percent to
18 fixed income. The SONGS 2 Non-Qualified Trust will remain exclusively invested in municipal
19 bonds.

20 **D. Rates of Return**

21 Based on a simple weighted average of long-term capital market assumptions provided
22 by four investment consulting firms (i.e., Mercer, Aon-Hewitt, Willis Towers Watson, and LCG
23 Associates), SDG&E estimated projected returns for each asset class in the Qualified and Non-
24 Qualified Trust. From 2021 to 2047 the projected Qualified Trust pre-tax returns are 6.94

1 percent and 2.40 percent for equity and fixed income, respectively. From 2048 through 2053 the
2 projected Qualified Trust fixed income pre-tax return is 2.10 percent.

3 The Non-Qualified Trust is 100 percent invested in municipal bonds; therefore, SDG&E
4 does not have an equity return assumption for the Non-Qualified Trust. The updated pre-tax
5 return is 1.95 percent for the Non-Qualified Trust.

6 **III. REQUIREMENTS REGARDING THE TRUST FUND COMMITTEE (M. TONG)**

7 In D.14-12-082, the Commission established certain requirements on SDG&E to ensure
8 that Nuclear Decommissioning Trust Fund Committee members receive timely information.

9 Ordering Paragraph 13 of D.14-12-082 states:

10 Southern California Edison Company, San Diego Gas & Electric
11 Company, and Pacific Gas and Electric Company shall ensure that their
12 respective Nuclear Decommissioning Trust Fund Committee members
13 timely receive the following information:

- 14 • Audited financial statements for the decommissioning trust funds;
- 15 • Initiation of investment fund manager searches;
- 16 • Decommissioning cost schedules, including acceleration or any other
17 significant changes;
- 18 • Approval of nuclear facility license extension; and
- 19 • Withdrawals of Trust Funds for decommissioning expenses.

20 SDG&E has complied with the requirements in D.14-12-082 as described below:

- 21 1) Annual U.S. GAAP compliant audited financial statements for the
22 decommissioning trust funds are sent to Committee members as statements are
23 available. Quarterly audited statements from our custodian are submitted to the
24 Committee each quarter. These were last submitted to the Committee at the June
25 8, 2022 meeting.

- 1 2) The Committee approves of the initiation of all investment manager searches.
2 This typically occurs when the Committee changes the overall asset allocation or
3 terminates an investment fund manager. In addition, quarterly performance
4 reports detail investment manager returns and attribution.
- 5 3) SDG&E provides periodic updates to the Committee on decommissioning cost
6 schedules, including cost acceleration or any other significant changes. SDG&E
7 presents detailed decommissioning cost estimates, as appropriate, to the
8 Committee when conducting asset liability modeling studies. This was most
9 recently conducted in March 2022 to review the updated projected cash flows,
10 which are an input in the asset liability modeling process.
- 11 4) The license extension requirement for SONGS is not applicable since the facility
12 is being decommissioned.
- 13 5) SDG&E has informed the Committee of withdrawals of trust funds for
14 decommissioning expenses on a quarterly basis as part of the reporting on funded
15 status of each Trust. Trust withdrawals and expenses are included in the audited
16 financial statements.

17 **IV. TAX-RELATED MATTERS (R. REEVES)**

18 **A. Treatment of the Nuclear Decommissioning Trusts**

19 In this testimony, I address the tax treatment of the NDTs. SDG&E maintains external
20 funds for the sole purpose of satisfying SDG&E's obligation to fully decommission its portion of
21 the SONGS units. These external funds are maintained in trusts that are subject to a Qualified
22 Master Trust Agreement or a Non-Qualified Master Trust Agreement that govern separate trust

1 accounts for each of the nuclear power plant units.⁷ The Qualified Master Trust Agreement
2 applies to tax-advantaged trusts that satisfy the requirements of Internal Revenue Code (“IRC”)
3 Section 468A. The Non-Qualified Master Trust Agreement applies to trusts that do not have to
4 satisfy the requirements of IRC Section 468A.

5 **1. Qualified Trusts**

6 Approximately 96% of SDG&E’s trust funds are held in Qualified Trusts.⁸ Qualified
7 Trusts are tax-advantaged trusts that must meet the requirements of IRC Section 468A and its
8 related Treasury Regulations. The tax-advantaged attributes include the ability of SDG&E to
9 deduct amounts contributed into Qualified Trusts. In addition, the Federal income tax rate for
10 Qualified Trusts when investment gains are realized is 20%, instead of the Federal corporate
11 income tax rate of 21%.⁹

12 Regulations promulgated under IRC Section 468A by the Internal Revenue Service
13 (“IRS”) and the U.S. Department of the Treasury (“Treasury”) provide that taxpayers electing to
14 establish a qualified nuclear decommissioning fund may maintain only one fund for each nuclear
15 power plant (or unit thereof),¹⁰ and the assets maintained in each fund may be used solely to
16 satisfy the nuclear decommissioning liability of the nuclear power plant (or unit thereof) to
17 which the nuclear decommissioning fund relates.¹¹ Each of the SONGS Units 1 through 3

⁷ SDG&E, the CPUC, and the Trustee (currently BNY Mellon Bank) are the signatories to the SDG&E Qualified and Nonqualified Master Trust Agreements.

⁸ This calculation is based on trust fund balances as of December 31, 2020.

⁹ The Tax Cuts and Jobs Act, which is discussed in more detail, below, reduced the Federal corporate income tax rate from 35% to 21%, effective for tax years beginning on or after January 1, 2018. *See* P.L. 155-97, Sec. 13001(a) (amending IRC Section 11(b)).

¹⁰ Treasury Regulations Section 1.468A-5(a)(1)(iii).

¹¹ Treasury Regulations Section 1.468A-5(a)(3)(i)(A).

1 maintains Qualified Trusts for the sole purpose of decommissioning that particular unit. Thus,
2 for example, funds held in a Qualified Trust to decommission Unit 2 cannot be redirected to
3 decommission Unit 3 without violating the IRS regulations. Once the funds are placed into a
4 Qualified Trust, such funds can only be used for purposes of: (1) satisfying, in whole or in part,
5 any of SDG&E's liability for the decommissioning of the SONGS unit, (2) paying administrative
6 costs (including income taxes on investment returns) and other incidental expenses of the trust
7 (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of
8 the trust, and (3) making investments.¹² For purposes of satisfying SDG&E's decommissioning
9 liability, amounts extracted from the Qualified Trusts must only be for "nuclear
10 decommissioning costs" as defined in Treasury Regulations Section 1.468A-1(b)(6) and related
11 guidance.¹³ In addition, as amounts are extracted from the Qualified Trusts, SDG&E is required
12 to recognize such amounts as taxable income in its tax returns. The Qualified Trusts are also
13 required to comply with the terms of the SDG&E Qualified Master Trust Agreement.

14 If SDG&E were to use Qualified Trust funds contrary to the IRC or Treasury
15 Regulations, it would jeopardize the beneficial tax status of the entire Qualified Trust and could
16 cause the trust to be treated as having distributed all of its funds in a taxable transaction to
17 SDG&E on the date of such disqualification.¹⁴

¹² See IRC Section 468A(e)(4).

¹³ "Related guidance" includes, but is not limited to, IRS responses to requests for private letter rulings.

¹⁴ IRC Section 468A(e)(6).

1 **2. Non-Qualified Trusts**

2 SDG&E’s remaining trust funds (approximately 4%) are held in Non-Qualified Trusts.¹⁵

3 Non-Qualified Trusts are trusts that do not need to meet the requirements of IRC Section 468A
4 and its related Treasury Regulations. SDG&E’s Non-Qualified Trusts are treated as grantor
5 trusts of SDG&E, and any contributions paid into these Non-Qualified Trusts were not
6 deductible by SDG&E. In addition, any realized investment gains are taxed at the same Federal
7 corporate income tax rate as SDG&E (i.e., 21%).

8 Funds that are placed into the Non-Qualified Trusts are not subject to the “use
9 limitations” of IRC Section 468A, but are required to comply with the terms of the SDG&E
10 Non-Qualified Master Trust Agreement. As amounts are extracted from the Non-Qualified
11 Trusts to reimburse the Company for its share of decommissioning expenditures, SDG&E is not
12 required to recognize such amounts as taxable income in its tax returns.

13 **B. Impact of the Tax Cuts and Jobs Act on the Qualified Trusts**

14 The Tax Cuts and Jobs Act (“TCJA”) was enacted into law on December 22, 2017. The
15 TCJA made several changes to the Federal tax law, but it did not change any of the rules for
16 Qualified Trusts under IRC Section 468A. One change under the TCJA outside of Section 468A
17 that affects the taxation of Qualified Trusts is the reduction of the Federal corporate income tax
18 rate from 35% to 21%, effective for tax years beginning on or after January 1, 2018.¹⁶ As a
19 result, beginning in 2018, the impact of the favorable 20% Federal income tax rate for Qualified

¹⁵ This calculation is based on trust fund balances as of December 31, 2020.

¹⁶ See P.L. 155-97, Sec. 13001(a) (amending IRC Section 11(b)).

1 Trusts has been greatly diminished.¹⁷ However, the most significant tax advantage for Qualified
2 Trusts remains intact after the TCJA, which is the ability to accelerate the timing of deductions
3 by allowing taxpayers to deduct contributions into Qualified Trusts at the time of contribution,
4 instead of having to wait until the funds are used to pay decommissioning costs before claiming
5 the tax deduction. In addition, the tax consequences of violating the Qualified Trust rules
6 remains intact after the TCJA (i.e., the trust could be treated as having distributed all of its funds
7 in a taxable transaction on the date of such disqualification).

8 **C. Proposed Tax Regulations for NDTs**

9 In recent years, questions have arisen regarding whether Qualified Trust funds could be
10 used to pay for the construction and maintenance of independent spent fuel storage installation
11 (“ISFSI”) facilities. Much of the uncertainty has centered on the deductibility of ISFSI costs that
12 are potentially recoverable through litigation with the Department of Energy (“DOE”).¹⁸ For
13 example, in March 2015, the IRS issued a private letter ruling (“PLR”) to a non-California utility
14 owner of a nuclear power plant concluding that ISFSI costs were costs “related to the
15 decommissioning of Plant and are within the definition of nuclear decommissioning costs.”¹⁹
16 However, the IRS also stated that Treasury Regulation Section 1.468A-1(b)(6) requires all
17 nuclear decommissioning costs to be “otherwise deductible” in order “to be included in the
18 ambit” of the definition of nuclear decommissioning costs that are eligible to be paid out of a

¹⁷ Legislation has recently been proposed in the United States Congress that would increase the Federal corporate tax rate above the current 21% rate. If the Federal corporate tax rate is increased, the impact of the tax rate differential will become a more significant tax advantage for Qualified Trusts.

¹⁸ The Nuclear Waste Policy Act of 1982 made the DOE responsible for accepting, transporting, and disposing of spent nuclear fuel. However, it is uncertain when the DOE will begin accepting spent nuclear fuel from nuclear power plants.

¹⁹ See p. 4 of IRS PLR 201510030 (March 6, 2015). This private letter ruling is commonly known as the “Dominion” Ruling in the industry.

1 Qualified Trust. Furthermore, the private letter ruling stated that “if there is a reasonable chance
2 of recovery” of ISFSI costs, such costs “may not be deductible” and, as such, “may not be paid
3 out of a qualified fund.” The effect of the private letter ruling was that, to the extent that the IRS
4 could assert that ISFSI costs are not “otherwise deductible” nuclear decommissioning costs
5 because “there is a reasonable chance of recovery” from DOE, the owner of a nuclear power
6 plant would be precluded from using Qualified Trust funds to pay for such costs pending
7 possible recovery from DOE.

8 On December 28, 2016, the IRS and Treasury issued proposed regulations under IRC
9 Section 468A (the “Proposed Regulations”). The Preamble to the Proposed Regulations states
10 that the Proposed Regulations are intended to clarify the definition of “nuclear decommissioning
11 costs” under Treasury Regulation Section 1.468A-1(b)(6) to specifically provide for costs related
12 to ISFSI facilities. This definition is used to determine what costs may be paid for or reimbursed
13 from a Qualified Trust fund.

14 While the language in the Preamble is helpful as to the intent of the Proposed
15 Regulations, the IRS and Treasury nonetheless retained the “otherwise deductible” language in
16 the body of the Proposed Regulations that apply to decommissioning costs generally and to
17 ISFSI costs specifically.²⁰ Accordingly, the timing of when an owner of a nuclear power plant
18 may use Qualified Trust funds to pay for ISFSI costs remained unclear under the Proposed
19 Regulations.

20 The Utility Decommissioning Tax Group (“UDTG”), of which SDG&E is a member,
21 submitted comments to the Proposed Regulations on March 29, 2017 and participated in a public
22 hearing on the Proposed Regulations on October 25, 2017. In its comments, the UDTG

²⁰ See Proposed Treasury Regulation Section 1.468A-1(b)(6).

1 requested that the Proposed Regulations under Section 1.468A-1(b)(6) be clarified to: (1)
2 eliminate any remaining references to “otherwise deductible” in the regulations; and (2) further
3 clarify the definition of nuclear decommissioning costs to eliminate the “otherwise deductible”
4 requirement with respect to ISFSI costs and all storage costs.

5 **D. Final Tax Regulations for NDTs**

6 On September 4, 2020, the IRS and Treasury published final regulations under IRC
7 Section 468A (the “Final Regulations”) to further clarify the definition of “nuclear
8 decommissioning costs.” The Final Regulations adopt most of the provisions of the Proposed
9 Regulations and apply to tax years ending on or after September 4, 2020.²¹

10 The Final Regulations include language that confirms that the definition of “nuclear
11 decommissioning costs” encompasses amounts related to the construction and maintenance of
12 ISFSIs and the storage of spent nuclear fuel at both onsite and offsite ISFSIs.²² The Final
13 Regulations also clarify that the “otherwise deductible” requirement does not apply to ISFSI
14 costs;²³ therefore, costs incurred for ISFSIs that may or are expected to be reimbursed by the
15 DOE may be paid or reimbursed from a Qualified Trust fund. Accordingly, SDG&E may now
16 access its Units 2&3 Qualified Trusts to pay for ISFSI costs without jeopardizing the qualified
17 status of the trusts, and without having to wait until the claims against the DOE are litigated or
18 settled.

19 After the Final Regulations were published, SDG&E began to withdraw funds for
20 unreimbursed ISFSI costs from the Qualified Trusts incurred in the years for which the claims

²¹ Treasury Regulation Section 1.468A-9(b)(2).

²² See Preamble to the Final Regulations, at page 2.

²³ *Id.*

1 against the DOE had not yet been resolved. As of December 31, 2020, SDG&E had withdrawn
2 approximately \$74 million for the unreimbursed ISFSI costs SDG&E had incurred between
3 January 2017 and September 2020. SDG&E has continued to withdraw funds from the Qualified
4 Trusts in 2021 for ISFSI costs it has incurred since September 2020.

5 Notwithstanding the clarifications regarding ISFSI costs in the Final Regulations,
6 SDG&E continues to support SCE in its pursuit of claims on behalf of the SONGS co-owners
7 against the DOE for its failure to timely accept the spent nuclear fuel.

8 **V. REGULATORY ACCOUNTING (E. DALTON)**

9 In this testimony, I address the activity recorded in SDG&E's Nuclear Decommissioning
10 Adjustment Mechanism ("NDAM") from January 2018 through December 2020.

11 The purpose of the NDAM is to track the authorized revenue requirement for SDG&E's
12 contributions to the NDTs, plus authorized revenue requirement for costs relating to SONGS 1
13 offsite spent fuel storage. This is done by comparing the authorized revenue requirement with
14 revenues billed to ratepayers through the Nuclear Decommissioning ("ND") component of
15 SDG&E's rates.

16 The SONGS 1 spent fuel storage revenue requirement of \$1 million per year was
17 approved by the Commission in the Energy Resource Recovery Account ("ERRA") Forecast
18 proceedings.²⁴ SDG&E also recorded in NDAM a DOE settlement proceed regarding SONGS 1
19 spent fuel management costs.²⁵

²⁴ ERRA 2018 Forecast approved in D.17-12-014 and implemented in rates effective January 1, 2018.
ERRA 2019 Forecast approved in D.18-12-016 and implemented in rates effective January 1, 2019.
ERRA 2020 Forecast approved in D.20-01-005 and implemented in rates effective February 1, 2020.

²⁵ Ex. SDGE-01 at 13.

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SUMMARY OF 2018-2020 NDAM ACTIVITY

Year	Authorized Unit 1 Rev Req	Revenue (Billed) / Refunded	SONGS DOE Settlement	Interest	NDAM Under/(Over) Collected
2017					\$ (3,037,971)
2018	\$ 1,075,001	\$ 1,371,506	\$ (1,004,196)	\$ (41,538)	\$ (1,637,198)
2019	\$ 1,084,100	\$ 549,217		\$ (19,919)	\$ (23,800)
2020	\$ 1,060,000	\$ (835,883)		\$ 564	\$ 200,881

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4 The NDAM balance at December 31, 2020 was \$0.201 million undercollected. Of this
5 balance \$0.177 million was authorized per AL 3636-E²⁶ to be amortized in January 1, 2021 rates.
6 SDG&E implemented in rates this amortization and will continue in the future to address the
7 NDAM year-end projected balance in its Annual Electric Regulatory Account Update.

8 This concludes our direct testimony.

²⁶ Annual Electric Regulatory Account Update Effective January 1, 2021. Filed October 30, 2020 and approved on December 16, 2020 effective as of January 1, 2021.

1 **VI. STATEMENT OF QUALIFICATIONS**

2 **WITNESS QUALIFICATIONS FOR JACK M. GUIDI**

3 My name is Jack M. Guidi. My business address is 8330 Century Park Court, San Diego,
4 California 92123. I am employed by SDG&E as the Financial and Strategic Analysis Manager.
5 My principal responsibilities include overseeing the financial analysis and development of
6 revenue requirements for SDG&E projects and programs. I have held this position since July
7 2020. Prior to this position, I was the Asset & Project Accounting Manager at SDG&E for three
8 years. In that position, I was responsible for accounting for plant assets; billable projects
9 (including new business accounting); development of rate base; capital expenditure planning;
10 depreciation, and related policy and compliance. I have been employed by SDG&E and/or
11 Sempra Energy since July 2007. In addition to the positions that I have listed above, I have
12 served as Manager – Natural Gas Accounting at Sempra Infrastructure; Manager, Financial
13 Reporting and Accounting Research at Sempra U.S. Gas & Power; Manager, SOX Compliance
14 and Policies at SDG&E; and Manager, Accounting Research and Policies at Sempra Energy.

15 Prior to joining Sempra Energy, I was employed by PricewaterhouseCoopers, LLP as an
16 Audit Manager. I am a Certified Public Accountant in the state of California. I continue to
17 maintain an active status license by fulfilling the continuing professional education requirements.

18 I received a Bachelor of Science in Business Administration degree with an emphasis in
19 Accounting from San Diego State University in December of 1999.

20 I have not previously testified before the Commission.

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A.22-02-016
2021 Nuclear Decommissioning Cost Triennial Proceeding (NDCTP)
SDG&E Prepared Direct Testimony Change Log—July 2022

Page and line references are to the original version of the prepared direct testimony served February 28, 2022

Witnesses	Page	Line(s)	Revision Detail (July 2022)
Various	Cover	N/A	Added “-A” to Exhibit number
Various	Cover	N/A	Added “Amended” to title
Various	Cover	N/A	Changed date from “February 28” to “July 29”
Various	1	1	Added “Amended” to heading
Jack M. Guidi	1	12	“December 31, 2020” was changed to “December 31, 2021”
Jack M. Guidi	1	13	“\$154.7 million” was changed to “152.7 million”
Jack M. Guidi	1	13	“\$150.2 million” was changed to “149.3 million”
Jack M. Guidi	1	17	“December 31, 2020” was changed to “December 31, 2021”
Jack M. Guidi	1	18	“\$396.4 million” was changed to “393.5 million”
Jack M. Guidi	1	19	“\$467.4 million” was changed to “465.8 million”
Jack M. Guidi	1	20	“\$364.2 million” was changed to “362.0 million”
Jack M. Guidi	1	20	“\$426.3 million” was changed to “425.6 million”
Jack M. Guidi	1	Footnote 1	“February 25, 2021” was changed to “February 25, 2022”

Jack M. Guidi	2	17	“\$42.7 million (2020\$)” was changed to “\$46.2 million (2022\$)”
Jack M. Guidi	2	18	“2021-2053” was changed to “2022-2053”
Jack M. Guidi	2	Footnote 5	“costs for SONGS 1-3 in 2020 base” was changed to “costs for SONGS 1-3 in 2022 base”
Jack M. Guidi	3	6-7	“\$321.2 million (2020\$)” was changed to “315.5 million (2022\$)”
Jack M. Guidi	3	7	“\$368.5 million (2020\$)” was changed to “365.2 million (2022\$)”
Jack M. Guidi	3	7	“2021-2053” was changed to “2022-2053”
Jack M. Guidi	3	8-9	“Covid related expense adjustments ⁷ ” was deleted
Jack M. Guidi	3	Footnote 7	Footnote 7 was deleted
Marvin K. Tong	4	15	Added “In 2022,”
Marvin K. Tong	4	16	Added “updated”
Marvin K. Tong	4	17-18	Modified as follows: “based on increase in funded status and the expected the <u>updated</u> cash flows as per the <u>2020</u> Decommissioning Cost Estimate”
Marvin K. Tong	4	19-21	Modified as follows: “Based on this Study the Committee <u>at the meeting in</u>

			<p><u>March 2022</u>, decided to <u>maintain the current equity allocation of 42%</u>continue the scale-down out of equities for SONGS 2&3 <u>until 2027</u> where the equity allocation will be reduced to 30%.and reduced the equity allocation in February 2020 from 48% to 42%. This was in-line with the approved asset allocations and glidepath discussed below in 2017.”</p>
Marvin K. Tong	4	Footnote 8	Footnote 8 was deleted
Marvin K. Tong	4-5	22-24, 1-3	<p>Modified as follows: “SDG&E’s Trust allocations are targeted to minimize downside risk while maintaining a margin of safety at the end of the decommissioning to account for unexpected costs. SDG&E forecasts a five-year scale-down out of equities for SONGS 2&3. The purpose of <u>extending</u> SDG&E’s <u>42%</u> equity <u>allocation through 2026</u> and reducing it to a <u>30% allocation by the end of 2027</u>scale-down is to <u>more closely align with updated expected capital outlays</u>- and reduce equity market risk in the years immediately prior to and</p>

			during the years in which substantial decommissioning costs are expected to be incurred.”
Marvin K. Tong	5	3-6	<p>Modified as follows:</p> <p>The overall asset allocation has gradually shifted, such that the allocation to equity will fall each year by six percentage points until reaching 30 percent in 2022. By 2022, SDG&E’s SONGS 2&3 Qualified Trust will be allocated approximately 30 percent to equities and 70 percent to fixed income. From 2027 through 2047,</p> <p>The Qualified Trust will maintain the 30% equity allocation until 2048 when the equity portfolio will be fully liquidated and all trust funds will be invested 50% in municipal bonds and 50% in short duration fixed income for the remaining years of decommissioning.</p>

Marvin K. Tong	5	24	“6.97 percent” was changed to “6.94 percent”
Marvin K. Tong	6	1	“2.88 percent” was changed to “2.44 percent”
Marvin K. Tong	6	2	“2.51 percent” was changed to “2.10 percent”
Marvin K. Tong	6	5	“2.67 percent” was changed to “1.95 percent”
Marvin K. Tong	6	24	“December 7, 2021” was changed to “June 8, 2022”
Marvin K. Tong	7	6	“March 2018” was changed to “March 2022”

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