

Application No.: A.14-12-007
Exhibit No.: SDGE-02-R
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Randy Rose
Yvonne M. Le Mieux
Norma Jasso

REVISED
PREPARED DIRECT TESTIMONY
(FINANCIAL MODELING, TRUST FUND CONTRIBUTIONS AND RATEMAKING)
ON BEHALF OF
SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

May 6, 2015

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CHANGE LOG

REVISED
PREPARED DIRECT TESTIMONY
ON BEHALF OF SDG&E

I. AMOUNT OF DECOMMISSIONING TRUST FUND CONTRIBUTIONS
(J. Atun)

a. Introduction

The purpose of this testimony is to review, update and provide support for the annual ratepayer contributions necessary to adequately fund the nuclear decommissioning trusts (“Trusts”) for San Onofre Nuclear Generating Station (“SONGS”) Units 2 & 3.¹ As further explained below, SDG&E has determined that ratepayer contributions to the Unit 2 & 3 Trusts are not needed after January 1, 2016.

b. Present Funding Levels and Trust Balance for SONGS 2 & 3

The current level of authorized annual contributions to SDG&E’s SONGS Units 2 & 3 Trusts is \$8.07 million.² As of September 30, 2014, the market value of SDG&E’s Trusts for SONGS Units 2 & 3 was \$954.52 million.³ This equates to a liquidation value, after fees and taxes, of \$855.73 million. The liquidation value of the Trusts represents the amount of funds available to fund decommissioning activities.

c. Proposed Funding Levels for SONGS 2 & 3

Using the current liquidation value of the Trusts, the 2014 decommissioning cost estimate (“DCE”)⁴, projected escalation of decommissioning costs, and estimated trust returns, SDG&E forecasts that the Trusts contain sufficient funds to complete SDG&E’s 20 percent share of SONGS Units 2 & 3 decommissioning and to cover SDG&E-only costs. Therefore, SDG&E proposes to reduce the annual ratepayer contribution rate to zero (\$0.00) as of January 1, 2016.⁵

SDG&E’s share of SONGS Units 2 & 3 decommissioning costs is estimated to be \$898.91 million (2014\$). This calculation includes SDG&E’s 20 percent share of the DCE, as

¹ This Application concerns the Decommissioning Cost Estimate for Units 2 and 3. Therefore, this testimony only concerns Units 2 and 3, and does not concern Unit 1.

² D.10-07-047 at Conclusion of Law (“COL”) 12.

³ The total trust balance for all three units was publicly reported in SDG&E’s 10-Q, filed on November 4, 2014.

⁴ EnergySolutions Decommissioning Cost Analysis (“DCE”), dated September 5, 2014, provided as Appendix A-1 to SCE-01 to the Application.

⁵ SDG&E has assumed collection of its currently authorized contribution amount (\$8.07 million) through December 31, 2015.

1 well as the SDG&E-only costs outlined in Attachment A to SDGE-01. As mentioned above, the
2 liquidation value of SDG&E's SONGS Units 2 & 3 Trusts was \$855.73 million as of September
3 30, 2014. Although the currently estimated costs exceed the current liquidation value, the Trusts
4 are projected to grow at a rate greater than decommissioning costs are expected to escalate. This
5 growth in the trust funds, net of the escalation in decommissioning costs, will provide the funds
6 necessary to cover SDG&E's share of costs without necessitating a contribution from its
7 ratepayers.⁶

8 However, this situation could change based on many factors including but not limited to,
9 changes in economic conditions, changes in timing of and/or amount of decommissioning costs,
10 changes in interest rates, and changes in escalation rates. Therefore, SDG&E recommends that
11 any projected surplus funds remain in the Trusts in an attempt to meet future uncertainties and
12 assure that there is adequate funding for all remaining decommissioning activities.⁷ In addition,
13 SDG&E's request for \$0.00 (zero) contributions at this time is not a waiver of any future
14 requests by SDG&E for ratepayer contributions to the Trusts.

15 **d. Why Necessary Contribution Funding Levels Have Decreased Since 2012**

16 In the 2012 Nuclear Decommissioning Triennial Cost Application, A.12-12-013, SDG&E
17 requested that annual ratepayer contributions be increased from \$8.07 million to \$16.24 million.⁸
18 Now SDG&E is requesting that annual ratepayer contributions be decreased from \$8.07 million
19 to \$0.00.

20 There are two main drivers behind SDG&E's requested decrease in the annual
21 contributions needed to decommission SONGS Units 2 & 3 since the last application: 1)
22 increased Trust balances and 2) decreased burial escalation rates. The increase in the Trust
23 balances is due to higher than projected rates of return on trust investments in recent years. The
24 decrease in burial escalation rates is due to contractual commitments that SCE has secured with
25 nuclear waste management companies.

⁶ SDG&E has assumed collection of its currently authorized contribution amount (\$8.07 million) through December 31, 2015.

⁷ This approach is consistent with SDG&E's previously proposed approach in A.12-12-013. The Proposed Decision, issued November 18, 2012 for Phase 2 of A.12-12-013, finds that approach to have been reasonable. The Proposed Decision is still pending at the time of the submission of this testimony.

⁸ A.12-12-013 at 2. No final decision for A.12-12-013 has yet been adopted by the Commission.

1 **II. FINANCIAL ASSUMPTIONS AND RATE OF RETURN (J. Atun)**

2 **a. Trust Funds**

3 California statute and the California Public Utilities Commission (“CPUC” or “the
4 Commission”) require SDG&E to establish externally managed trust funds as the vehicles for
5 accumulating funds for the ultimate decommissioning of SONGS.⁹ SDG&E established one
6 trust as the vehicle to hold the decommissioning funds for contributions which qualify for an
7 income tax deduction under Section 468A of the Internal Revenue Code (“Qualified Trust”).
8 SDG&E also established one nonqualified trust, which does not qualify for an income tax
9 deduction under Section 468A of the IRC (“Nonqualified Trust”). The Trusts were initially
10 funded in February 1988.

11 **b. Portfolio Management and Asset Allocations**

12 SDG&E applies a relatively low portfolio turnover rate of 20 percent per annum, which
13 allows for a greater compound growth rate and greater returns since taxation of gains is deferred.

14 SDG&E’s Trust allocations are targeted to minimize financial risk while maintaining
15 moderate returns. SDG&E’s Qualified Trust is currently allocated approximately 60 percent to
16 equities and 40 percent to fixed income. SDG&E’s Nonqualified Trust is allocated 100 percent
17 to fixed income.¹⁰

18 Similar to the previous SDG&E application,¹¹ SDG&E forecasts a six-year scale down
19 out of equities beginning in 2014.¹² The purpose of SDG&E’s equity scale down is to limit
20 equity market risk in the years immediately prior to and during the years in which substantial
21 decommissioning costs are expected to be incurred.

22

⁹ Cal. Pub. Util. Code section 8325(a) and D.87-05-062 at 24 CPUC 2d 302.

¹⁰ SDG&E has a Nonqualified Trust for Unit 2 but does not have a Nonqualified Trust for Unit 3.

¹¹ A.12-12-013, SDG&E-7R (SDG&E witness B. Nelson) (describing SDG&E’s planned six-year scale down out of equities into fixed income).

¹² The SDG&E Nuclear Decommissioning Trust Fund Committee has engaged an outside consulting firm to perform an equity/fixed income allocation study of the Trusts for Units 2 and 3. The study will also analyze equity scale down options. At the time of this Application’s filing, the study is still being completed.

1 **c. Rate of Return**¹³

2 **1. Qualified Trust**

3 Equity Returns

4 SDG&E used best efforts to estimate the future returns of the Trusts based on currently
5 known economic environment and return forecasts from trusted financial institutions. SDG&E
6 calculated its 7.20 percent pre-tax equity return projection for the Qualified Trust on a composite
7 weighting (based on the Trusts' assets) of domestic and international 10-year equity returns from
8 four financial institutions: Callan Associates, Mercer, Aon-Hewitt, and Towers Watson. These
9 returns were 7.71 percent, 6.05 percent, 7.22 percent, and 7.83 percent, respectively.

10 Fixed Income Returns

11 SDG&E calculated its 3.73 percent pre-tax fixed-income return projection for the
12 Qualified Trust based on a composite weighting (based on the Trusts' assets) of domestic and
13 international, short and long-term fixed income returns provided by the same four institutions:
14 Callan Associates, Mercer, Aon-Hewitt, and Towers Watson.

15 **2. Nonqualified Trust**

16 Equity Returns

17 As previously mentioned, SDG&E's Nonqualified Trust is 100 percent invested in fixed
18 income. Therefore, SDG&E does not have an equity return assumption for the Nonqualified
19 Trust.

20 Fixed Income Returns

21 For fixed income returns, SDG&E assumes a 100 percent allocation to investment grade
22 municipal bonds. This is consistent with SDG&E's current and authorized investment strategy
23 and takes advantage of the tax benefits of municipal bonds within a taxable trust. SDG&E's
24 projected pre-tax return on municipal bonds is 3.35 percent, based on ten-year return
25 assumptions.

26 **3. Projected After-Tax Returns**

27 The equity and fixed income return percentages noted above are shown on a pre-tax
28 basis. SDG&E adjusts these returns for applicable taxes and investment management fees to
29 arrive at an after-tax, post-fee return percentage. Consistent with the tax-related testimony of
30 Randall Rose included below in Section IV, under current tax rates, SDG&E's Qualified Trust is

¹³ Rates of return were calculated based on currently-available information. However, if the rates of return litigated in the 2012 Nuclear Decommissioning Cost Triennial Proceeding ("NDCTP") were used, ratepayer contributions would still be zero (\$0.00). See Attachment A to SDGE-02 for this analysis.

1 subject to a 20 percent federal tax rate and an 8.84 percent California state tax rate. In addition,
2 SDG&E estimates a 0.14 percent allowance for investment management fees. The Qualified
3 Trust is expected to earn a weighted 4.11 percent return after taxes and fees prior to the equity
4 wind-down, and 2.77 percent from 2019 onward. The Nonqualified Trust is expected to earn a
5 2.93 percent rate of return after taxes and fees.

6 **III. CALCULATING ANNUAL DECOMMISSIONING CONTRIBUTIONS (J. Atun)**

7 There are four key elements used in determining the annual rate payer contribution
8 amount: (1) trust fund liquidation value, (2) current-dollar decommissioning cost studies, (3)
9 cost escalation rates,¹⁴ and (4) after-tax rates of return. Annual cost escalation rates convert the
10 DCE from current dollars to the dollars of the year when they will actually be incurred, and these
11 future cost estimates are treated as withdrawals from the trust fund balances. The estimated
12 after-tax rates of return are used to calculate the expected growth in the decommissioning trust
13 fund balances. As previously noted, SDG&E forecasts that the Trusts contain sufficient funds to
14 complete SDG&E's share of SONGS Units 2 & 3 decommissioning and as a result, SDG&E
15 proposes that ratepayer contributions to the Trusts be reduced to zero (\$0.00) as of January 1,
16 2016.

17 **IV. TAX (R. Rose)**

18 **a. Income Tax Treatment of Decommissioning Trusts**

19 SDG&E maintains external funds for the sole purpose of satisfying SDG&E's obligation
20 to fully decommission its portion of the SONGS units. These external funds are maintained in
21 trusts that are subject to a Qualified Master Trust Agreement or a Nonqualified Master Trust
22 Agreement that govern separate trust accounts for each of the nuclear power plant units.¹⁵ The
23 Qualified Master Trust Agreement applies to tax-advantaged trusts that satisfy the requirements
24 of IRC Section 468A. The Nonqualified Master Trust Agreement applies to trusts that do not
25 have to satisfy the requirements of IRC Section 468A.

¹⁴ SDG&E uses the same cost escalation rates that SCE uses for this Application.

¹⁵ SDG&E, the CPUC and the Trustee (currently BNY Mellon Bank) are the signatories to the SDG&E Qualified and Nonqualified Master Trust Agreements.

1 **1. Qualified Trusts**

2 Approximately 99% of SDG&E’s trust funds are held in Qualified Trusts.¹⁶ Qualified
3 Trusts are tax-advantaged trusts that must meet the requirements of IRC Section 468A and its
4 related Treasury Regulations. The tax-advantaged attributes include the ability of SDG&E to
5 deduct amounts contributed into Qualified Trusts. In addition, the Federal income tax rate for
6 Qualified Trusts when investment gains are realized is 20% instead of the maximum Federal
7 corporate tax rate of 35%.

8 Each of the SONGS Units 1 through 3 maintain Qualified Trusts for the sole purpose of
9 decommissioning that particular unit, and cannot be used to decommission any other unit without
10 preapproval from various agencies. Once the funds are placed into a Qualified Trust, such funds
11 can only be used for purposes of: (1) satisfying any of SDG&E’s liability for the
12 decommissioning of the SONGS unit, (2) paying administrative and other incidental expenses of
13 the trust in connection with the operation of the trust, (3) making investments, and (4) paying
14 income taxes on investment returns. For purposes of satisfying SDG&E’s decommissioning
15 liability, amounts extracted from the Qualified Trusts must only be for “nuclear
16 decommissioning costs” as defined in Treasury Regulations Section 1.468A-1(b)(6) and related
17 guidance, such as IRS responses to requests for private letter rulings. In addition, as amounts are
18 extracted from the Qualified Trusts, SDG&E is required to recognize such amounts as taxable
19 income in its tax returns. The Qualified Trusts are also required to comply with the terms of the
20 SDG&E Qualified Master Trust Agreement.

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

25 **2. Nonqualified Trusts**

26 SDG&E’s remaining trust funds (1%) are held in Nonqualified Trusts.¹⁷ Nonqualified
27 Trusts are trusts that do not need to meet the requirements of IRC Section 468A and its related
28 Treasury Regulations. SDG&E’s Nonqualified Trusts are treated as grantor trusts of SDG&E,
29 and any contributions paid into these Nonqualified Trusts were not deductible by SDG&E. In

¹⁶ This calculation is based on trust fund balances as of September 30, 2014.

¹⁷ This calculation is based on trust fund balances as of September 30, 2014.

1 addition, any realized investment gains are taxed at the same Federal corporate tax rate as
2 SDG&E (i.e., typically 35%).

3 Funds that are placed into the Nonqualified Trusts are not subject to the “use limitations”
4 of IRC Section 468A, but are required to comply with the terms of the SDG&E Nonqualified
5 Master Trust Agreement. As amounts are extracted from the Nonqualified Trusts to reimburse
6 the Company for its share of decommissioning expenditures, SDG&E is not required to
7 recognize such amounts as taxable income in its tax returns.

8 **b. 2011 Pour Over**

9 In my supplemental testimony served in the 2012 NDCTP, A.12-12-013, I proposed on
10 behalf of SDG&E to place the tax benefits resulting from the tax deductions associated with the
11 2011 pour-over of funds from the Nonqualified Trusts to the Qualified Trusts into the related
12 Nonqualified Trust accounts upon SDG&E’s receipt of the tax refunds.¹⁸ In addition, I stated
13 that following the Commission’s order in A.12-12-013 approving the Commission’s approval of
14 SDG&E’s proposal for the treatment of the tax benefits from the pour-over, SDG&E would seek
15 an updated Schedule of Ruling Amounts from the Internal Revenue Service (“IRS”) in order to
16 effect the subsequent transfer of funds from the Nonqualified Trusts to the related Qualified
17 Trusts. Upon receiving an updated Schedule of Ruling Amounts from the IRS, SDG&E would
18 then pour-over additional funds from the Nonqualified Trust accounts to the Qualified Trust
19 accounts to the extent allowed under the updated Schedule of Ruling Amounts.

20 Pursuant to the IRS’s issuance of private letter rulings to SDG&E in July 2011 approving
21 revised schedule of ruling amounts, SDG&E transferred assets from the Units 1 and 2 Non-
22 qualified Decommissioning Trusts to the Qualified Decommissioning Trusts in November 2011.
23 In conformity with the revised schedule of ruling amounts, SDG&E then filed federal and state
24 tax returns, claiming a deduction for contributions to the Qualified Decommissioning Trusts
25 totaling \$43,288,818 in tax year 2007 (\$42,080,763 attributable to Unit #1 and \$1,208,055
26 attributable to Unit 2) and a deduction of \$1,208,055 in each subsequent tax year from 2008-
27 2013 (all attributable to Unit 2).

28 In August 2014, SDG&E received refunds from the IRS for tax years 2007-2010 totaling
29 \$16,419,544 (\$14,728,267 attributable to Unit 1 and \$1,691,277 attributable to Unit 2). SDG&E
30 has transferred these funds into the respective Nonqualified Trusts. The SDG&E Nuclear

¹⁸ A.12-12-013, SDG&E-04 (supplemental testimony, R. Rose), served January 18, 2013.

1 Decommissioning Trust Fund Committee will decide whether it wishes to seek a revised
2 Schedule of Ruling Amounts from the IRS in order to facilitate the subsequent transfer of the
3 refunds from the Nonqualified Trusts to the related Qualified Trusts. If the Committee decides
4 to request a revised Schedule of Ruling Amounts, then upon receiving an updated Schedule of
5 Ruling Amounts from the IRS, SDG&E would then pour-over the refunds from the Nonqualified
6 Trust accounts to the Qualified Trust accounts to the extent allowed under the updated Schedule
7 of Ruling Amounts.

8 **V. RATEMAKING (Y. Le Mieux)**

9 **a. Nuclear Decommissioning Revenue Requirement**

10 SDG&E recovers its authorized decommissioning funding amount for the Trusts through
11 the Nuclear Decommissioning rate component (“ND”). The Commission in D.10-07-047, and as
12 revised by Advice Letter 2188-E, has authorized SDG&E to recover \$8.07 million annually in
13 SDG&E’s Nuclear Decommissioning rate component.

14 Through the use of the Nuclear Decommissioning Adjustment Mechanism (“NDAM”),
15 SDG&E balances the revenue it receives from customers through the Nuclear Decommissioning
16 rate component (i.e., credit) to the authorized nuclear decommissioning funding amount (i.e.,
17 debit). At the end of the year, if the amount of Nuclear Decommissioning revenue is greater than
18 the authorized funding amount, the “overcollection” is returned to ratepayers in the subsequent
19 year by reducing the Nuclear Decommissioning revenue requirement. Likewise, if the Nuclear
20 Decommissioning revenue is less than the authorized amount, the “undercollection” is recovered
21 from ratepayers in the subsequent year by increasing the Nuclear Decommissioning revenue
22 requirement. This process ensures recovery of no more and no less than the authorized funding
23 amount.

24 The annual Nuclear Decommissioning Trust funding authorized by the Commission is
25 \$8.07 million. In addition, SDG&E is authorized in the decision for its Test Year 2012 General
26 Rate Case, D.13-05-010, to collect \$1.06 million¹⁹ through the ND rate component for Unit 1
27 Spent Fuel Costs. Including authorized allowances for Franchise Fees and Uncollectibles

¹⁹ D.13-05-010 authorized \$1.00 million plus escalation based on SDG&E’s post-test year attrition.

1 (“FF&U”), the total amount included in the Nuclear Decommissioning revenue requirement is
 2 \$9.27 million.²⁰

3 In this Application and as discussed above in the testimony of Mr. Atun in Section III,
 4 SDG&E has determined that it does not need further trust fund contributions for Units 2 & 3 at
 5 this time and requests that the Commission authorize its request for zero contributions to the
 6 Units 2 & 3 trust funds. However, setting trust fund contributions to \$0.00 (zero) should not
 7 terminate the Nuclear Decommissioning revenue requirement because SDG&E will continue to
 8 collect for the Unit 1 Spent Fuel costs as authorized in the General Rate Case (“GRC”). As such,
 9 the new ND revenue requirement will be \$1.10 million (including FF&U).

10 The following table represents the illustrative class average rate impacts for the \$8.17
 11 million²¹ reduction in the nuclear decommissioning revenue requirement.

**SAN DIEGO GAS & ELECTRIC COMPANY – ELECTRIC DEPARTMENT
 ILLUSTRATIVE ELECTRIC RATE IMPACT**

	2/01/15 Class Average Rates (¢/kWh)	Class Average Rates Reflecting Proposed Revenue Changes (¢/kWh)	Total Rate Change (¢/kWh)	Percent Rate Change %
Residential	22.012	21.973	(0.039)	-0.18%
Small Commercial	24.393	24.354	(0.039)	-0.16%
Medium and Large C&I	19.453	19.414	(0.039)	-0.20%
Agricultural	17.558	17.519	(0.039)	-0.22%
Lighting	18.016	17.977	(0.039)	-0.22%
System Total	20.849	20.810	(0.039)	-0.19%

²⁰ SDG&E’s currently effective rates include in the ND revenue requirement of \$9.27 million and amortization of the 2013 NDAM year-end balance of \$0.71 million for a net ND revenue requirement of \$8.56 million in rates. The roll-off of the 2013 NDAM year-end balance of \$0.71 million from rates will occur January 1, 2016.

²¹ Includes FF&U.

1 **VI. BALANCING ACCOUNTS (N. Jasso)**

2 **a. SONGBA (2013 & 2014 Costs)**

3 SDG&E's SONGS O&M Balancing Account ("SONGSBA") records the difference
4 between 1) SDG&E's authorized SONGS O&M revenue requirement for costs billed by SCE,
5 and 2) actual costs billed by SCE.²²

6 The balance in the SONGSBA is transferred annually to the Non-fuel Generation
7 Balancing Account ("NGBA") in order to refund ratepayers any overcollections (or recover
8 undercollections). As a result of the SONGS Amended and Rested Settlement Agreement
9 ("Settlement") approved in D.14-11-040, the SONGSBA 2014 year-end balance forecasted²³ to
10 be \$15.5 million overcollected will be refunded to ratepayers through a credit to SDG&E's
11 NGBA.

12 On April 1, 2015, as updated on April 13, 2015, SDG&E submitted Advice Letter ("AL")
13 2724-E, requesting authority to withdraw up to \$54.59 million from the SONGS 2 & 3 NDT for
14 decommissioning costs incurred June through December 2013.²⁴ Upon approval of the
15 aforementioned advice letter, for those Trust withdrawals related to 2013 O&M costs recorded in
16 the SONGSBA, SDG&E intends to record the withdrawals as a credit to the ERRA pursuant to
17 the Settlement.²⁵ Likewise, if and when SDG&E receives Commission authorization to
18 withdraw Trust funds for 2014 O&M costs recorded in the SONGSBA, SDG&E intends to credit
19 ERRA with the Trust withdrawals pursuant to Section 4.9 of the Settlement.²⁶

20 In accordance with Conclusion of Law 13 of D.14-11-040, SDG&E shall maintain the
21 SONGSBA for use in the upcoming application for reasonableness of 2014 SONGS costs until
22 ordered to close the account by the Commission. Until that time, SDG&E will continue to
23 maintain the SONGSBA in accordance with applicable tariffs and requirements.

²² The SONGSBA was authorized in D.06-11-026 and most recently reauthorized in D.13-05-010. In D.14-11-040, the Commission ordered SDG&E to keep the SONGSBA open until the Commission ordered its closure.

²³ Section 4.9(j)(ii) of the Settlement.

²⁴ AL 2724-E replaced AL 2579-E which was withdrawn.

²⁵ Section 4.9(f) of the Settlement refers to year 2013 costs and directs SDG&E to refund to ratepayers any portion of O&M costs recovered through the NDT via a reduction to the ERRA undercollected balance as stipulated in section 4.12 of the Settlement.

²⁶ See Section 4.9(i) (January through October 2014 costs) and Section 4.9(j)(iv) (for November and December 2014 costs) of the Settlement.

1 **b. SONGS 2 & 3 Permanent Closure Non-Investment Related Expense**
2 **Memorandum Account (“SPCEMA”) (2015+ Costs)**

3 SDG&E will cease recording entries in the SONGSBA for costs incurred on or after
4 January 1, 2015.²⁷ Instead, in preparation for the fact that SDG&E will no longer have an
5 authorized O&M revenue requirement resulting from a SCE general rate case (which is one of
6 the assumptions for the SONGSBA’s purpose), the SPCEMA will become the appropriate
7 account to record such costs. In addition, recognizing that not all decommissioning costs
8 SONGS incurs may be recorded in the SONGSBA, and in the interest of recording all SONGS
9 costs eligible to be paid with trust funds in one place, SDG&E intends to use the SPCEMA to
10 record all SONGS costs incurred on or after January 1, 2015 that are eligible to be paid with
11 decommissioning trust funds.²⁸

12 This account will record debits for eligible Unit 2 & 3 costs and credits for funds
13 withdrawn from the Trusts. Interest accrued in the account will be transferred to the NGBA
14 annually.

²⁷ SDG&E’s annual O&M revenue requirement is dependent on the Commission’s authorization of SCE’s GRC. SCE’s TY2015 GRC A.13-11-003 does not include O&M revenue requirement for SONGS.

²⁸ In AL 2675-E, dated November 26, 2014, SDG&E submitted modifications to its electric Preliminary Statement clarifying, among other items, that the SPCEMA will record costs meeting the requirements of Internal Revenue Code Section 468A and its related Treasury Regulations which are deemed eligible to be paid with NDT funds. At the time of this filing, AL 2675-E is still pending.

WITNESS QUALIFICATIONS

Jonathan Atun
Randy Rose
Yvonne Le Mieux
Norma Jasso

1 **WITNESS QUALIFICATIONS OF JONATHAN ATUN**

2 My name is Jonathan Atun. My business address is 8330 Century Park Court, San Diego,
3 California 92123. I am employed by SDG&E as the Financial and Strategic Analysis Manager.
4 In my current role, I am responsible for managing, directing and coordinating the financial
5 analysis of SDG&E projects.

6 I received a Bachelor of Science degree from San Diego State University in Business
7 Administration with an emphasis in Accounting. I received a Master of Science degree from San
8 Diego State University in Business Administration with an emphasis in Information Systems. I
9 am licensed as a Certified Public Accountant by the State of California. I also hold a Certified
10 Fraud Examiner Credential from the Association of Certified Fraud Examiners.

11 Prior to being employed by SDG&E, I was a financial analyst, forensic accountant and
12 expert witness. My work involved analyzing and quantifying economic losses in business
13 disputes and testifying in civil courts. I also provided general business consulting and services.

14 I am sponsoring Sections I, II and III in SDGE-02 in support of the Application. This
15 material was personally reviewed by me and I believe it to be correct that it is factual in nature.
16 Insofar as the material is in the nature of opinion or judgment, it represents my best judgment.

17 I have not previously testified before this Commission.

1 **WITNESS QUALIFICATIONS OF RANDALL G. ROSE**

2 My name is Randall G. Rose. I am employed by Sempra Energy as a Senior Tax
3 Director responsible for tax operations on behalf of Sempra Energy, including (SDG&E) and
4 Southern California Gas Company (“SCG”). My business address is 101 Ash Street, HQ-07,
5 San Diego, California 92101. I direct the preparation of Sempra’s consolidated federal and state
6 income tax returns, including affiliates, and the tax adjustments reflected in the accounting for
7 income taxes.

8 I received a Bachelor of Science Degree in Business Administration with an emphasis in
9 Accounting from San Diego State University. I am a Certified Public Accountant licensed by the
10 State of California.

11 Prior to being employed by Sempra Energy, I was employed by SDG&E as the Property
12 Tax Administrator. Before joining SDG&E, I was a senior tax advisor to the elected member of
13 the California State Board of Equalization representing the 3rd Equalization District. In that
14 function, I advised the Board Member on tax appeals cases and utility ad valorem tax
15 assessments that came before the Board for a decision.

16 I am sponsoring Section IV in SDGE-02 in support of the Application. This material was
17 personally reviewed by me and I believe it to be correct that it is factual in nature. Insofar as the
18 material is in the nature of opinion or judgment, it represents my best judgment.

19 I have previously testified before this Commission.

1 **WITNESS QUALIFICATIONS OF YVONNE M. LE MIEUX**

2 My name is Yvonne M. Le Mieux. I am employed by SDG&E as an Electric Rates
3 Manager in the Electric Rates section of the Customer Pricing department. My business address
4 is 8330 Century Park Court, San Diego, California, 92123.

5 I graduated from the San Diego State University in 2003 with a Bachelor of Science
6 degree in Business Administration with Distinction in Accounting. I have been a Certified
7 Public Accountant, licensed in the state of California, since 2005. I have held the Certified
8 Internal Auditor designation since 2006 and the Chartered Global Management Accountant
9 designation since 2012.

10 I have been employed with SDG&E and Sempra Energy since 2003. In addition to my
11 current position in Electric Rates & Analysis, I have held various positions with increasing
12 responsibility including a senior regulatory accounts advisor position in the Financial Analysis
13 Department, a senior auditor position in the Audit Services Department under the Financial and
14 Operational discipline and a staff accountant position in the Sempra Energy Global Accounting
15 Department at Sempra Energy’s corporate offices. In my current position, my responsibilities
16 include implementing electric rate changes and analytical support for cost recovery and rate
17 design.

18 I am sponsoring Section V in SDGE-02 in support of the Application. This material was
19 personally reviewed by me and I believe it to be correct that it is factual in nature. Insofar as the
20 material is in the nature of opinion or judgment, it represents my best judgment.

21 I have previously testified before this Commission.

1 **WITNESS QUALIFICATIONS OF NORMA JASSO**

2 My name is Norma Jasso. I am employed by SDG&E as the Regulatory Accounts
3 Analysis Manager in the Regulatory Accounts Department. My business address is 8330
4 Century Park Court, San Diego, California 92123. My current responsibilities include the
5 development, implementation and analysis of regulatory balancing and memorandum accounts.

6 I earned a Bachelor of Business Administration degree with emphasis in Accounting
7 from the University of San Diego in 1981. I also earned a Masters of Business Administration
8 from the University of Phoenix in 1996. I have been employed by SDG&E and Sempra Energy
9 since December, 1997. In addition to my current position, I served as Sundry Services Policy
10 and Compliance Project Manager II, Affiliate Compliance Manager, Senior Business Analyst,
11 and Accounting Systems Analyst.

12 I am sponsoring Section VI in SDGE-02 in support of the Application. This material was
13 personally reviewed by me and I believe it to be correct that it is factual in nature. Insofar as the
14 material is in the nature of opinion or judgment, it represents my best judgment.

15 I have previously provided testimony for this Commission.

ATTACHMENT A

**Comparison of Ratepayer Contribution Amounts
Based on Litigated Rates of Return**

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**Comparison of Ratepayer Contribution Amounts
Based on Litigated Rates of Return**

For comparison purposes, SDG&E calculated ratepayer contributions using litigated rates of return from the 2012 NDCTP Application, A.12-12-013, and the rates of return proposed in the current Application.²⁹ All other 2014 assumptions were kept constant.

Table 1

**Contributions Resulting From Previously Litigated Rates of Return from
2012 NDCTP Filing and 2014 Decommissioning Application Returns**

Rate of Return	2012 NDCTP	2014 DCE Application
Qualified		
Equity (Pre-tax)	7.48%	7.20%
Fixed Income (Pre-tax)	4.25%	3.73%
Nonqualified		
Fixed Income (Pre-tax)	3.40%	3.35%
Ratepayer Contribution Amount	\$0.00	\$0.00

SDG&E's projected equity and fixed income rates of return in the 2014 DCE Application are lower than the SDG&E rates litigated in the 2012 NDCTP Application. Therefore, using the higher 2012 litigated rates of return would not change the conclusion arrived at in this testimony, namely, at this time, the Trusts contain sufficient funds to complete SDG&E's 20 percent share of SONGS Units 2 & 3 decommissioning.

²⁹ The rates of return proposed by SDG&E in the 2012 NDCTP Application were fully litigated by the parties. The Commission found that the rates of return proposed by SDG&E in the 2012 NDCTP Application were reasonable. D.14-12-082 at 123 and 126-127.

SDG&E 2014 DCE Testimony Change Log – May 2015

Exhibit	Witness	Page	Line(s)	Revision Detail
SDG&E-02	Yvonne Le Mieux	9	1-2	<p><i>Modify sentence from:</i> . . . the total amount included in the Nuclear Decommissioning revenue requirement and rates is \$9.24 million.</p> <p><i>To:</i> . . . the total amount included in the Nuclear Decommissioning revenue requirement is \$9.27 million.</p>
SDG&E-02	Yvonne Le Mieux	9	footnote	<p><i>Insert new footnote:</i></p> <p>SDG&E’s currently effective rates include in the ND revenue requirement of \$9.27 million and amortization of the 2013 NDAM year-end balance of \$0.71 million for a net ND revenue requirement of \$8.56 million in rates. The roll-off of the 2013 NDAM year-end balance of \$0.71 million from rates will occur January 1, 2016.</p>
SDG&E-02	Yvonne Le Mieux	9	8-9	<p><i>Modify sentence from:</i> As such, the new ND revenue requirement will be \$1.07 million (including FF&U).</p> <p><i>To:</i> As such, the new ND revenue requirement will be \$1.10 million (including FF&U).</p>
SDG&E-02	Yvonne Le Mieux	9	Table	Update San Diego Gas & Electric Company – Electric Department - Illustrative Electric Rate Impact Table
SDG&E-02	Norma Jasso	10	13-15	<p><i>Modify sentence from:</i> On February 21, 2014, SDG&E submitted Advice Letter (“AL”) 2579-E, requesting authority to withdraw \$39 million from the SONGS 2 & 3 NDT for decommissioning costs incurred June through December 2013.</p>

				<p><i>To:</i> On April 1, 2015, as updated on April 13, 2015, SDG&E submitted Advice Letter (“AL”) 2724-E, requesting authority to withdraw up to \$54.59 million from the SONGS 2 & 3 NDT for decommissioning costs incurred June through December 2013</p>
SDG&E-02	Norma Jasso	10	footnote	Added new footnote 24: AL 2724-E replaced AL 2579-E which was withdrawn.
SDG&E-02	Yvonne Le Mieux	14	2-4	Updated witness qualifications with new title
SDG&E-02	Attachment A	A-1	footnote	<p><i>Modified footnote from:</i> The rates of return proposed by SDG&E in the 2012 NDCTP Application were fully litigated by the parties. On November 18, 2014, the Commission issued a Proposed Decision, which found that the rates of return proposed by SDG&E in the 2012 NDCTP Application were reasonable. Conclusions of Law 31 and 33. At the time of this submission, the Proposed Decision had not yet been adopted by the Commission.</p> <p><i>To:</i> The rates of return proposed by SDG&E in the 2012 NDCTP Application were fully litigated by the parties. The Commission found that the rates of return proposed by SDG&E in the 2012 NDCTP Application were reasonable. D.14-12-082 at 123 and 126-127.</p>