

Application No.: A.14-12-xxx  
Exhibit No.: SDGE-02  
Witnesses: Jonathan Atun  
Randy Rose  
Yvonne M. Le Mieux  
Norma Jasso

**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**

**December 10, 2014**

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**ATTACHMENT A**

**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.<sup>1</sup> 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.<sup>2</sup> As of September 30, 2014, the market value of SDG&E’s Trusts for SONGS Units 2 & 3 was \$954.52 million.<sup>3</sup> 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”)<sup>4</sup>, 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.<sup>5</sup>

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 well as the SDG&E-only costs outlined in Attachment A to SDGE-01. As mentioned above, the

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<sup>1</sup> 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.

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

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

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

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

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

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

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

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

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

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

<sup>7</sup> 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.

<sup>8</sup> 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.<sup>9</sup> 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.<sup>10</sup>

18 Similar to the previous SDG&E application,<sup>11</sup> SDG&E forecasts a six-year scale down  
19 out of equities beginning in 2014.<sup>12</sup> 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.

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

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

<sup>11</sup> 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).

<sup>12</sup> 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**<sup>13</sup>

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

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<sup>13</sup> 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,<sup>14</sup> 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.<sup>15</sup> 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.

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

<sup>15</sup> 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.<sup>16</sup> 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.<sup>17</sup> 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

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

<sup>17</sup> 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.<sup>18</sup> 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

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<sup>18</sup> 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 million<sup>19</sup> through the ND rate component for Unit 1  
27 Spent Fuel Costs. Including authorized allowances for Franchise Fees and Uncollectibles  
28 (“FF&U”), the total amount included in the Nuclear Decommissioning revenue requirement and  
29 rates is \$9.24 million.

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

1 In this Application and as discussed above in the testimony of Mr. Atun in Section III,  
 2 SDG&E has determined that it does not need further trust fund contributions for Units 2 & 3 at  
 3 this time and requests that the Commission authorize its request for zero contributions to the  
 4 Units 2 & 3 trust funds. However, setting trust fund contributions to \$0.00 (zero) should not  
 5 terminate the Nuclear Decommissioning revenue requirement because SDG&E will continue to  
 6 collect for the Unit 1 Spent Fuel costs as authorized in the General Rate Case (“GRC”). As such,  
 7 the new ND revenue requirement will be \$1.07 million (including FF&U).

8 The following table represents the illustrative class average rate impacts for the \$8.17  
 9 million<sup>20</sup> reduction in the nuclear decommissioning revenue requirement.

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

	<b>8/01/14 Class Average Rates</b>	<b>Class Average Rates Reflecting Proposed Revenue Changes</b>	<b>Total Rate Change</b>	<b>Percent Rate Change</b>
	<b>(¢/kWh)</b>	<b>(¢/kWh)</b>	<b>(¢/kWh)</b>	<b>%</b>
<b>Residential</b>	20.515	20.476	(0.039)	-0.19
<b>Small Commercial</b>	23.815	23.776	(0.039)	-0.16
<b>Medium and Large C&amp;I</b>	19.162	19.123	(0.039)	-0.20
<b>Agricultural</b>	19.578	19.539	(0.039)	-0.20
<b>Lighting</b>	17.454	17.415	(0.039)	-0.22
<b>System Total</b>	20.122	20.083	(0.039)	-0.19

10  
 11 **VI. BALANCING ACCOUNTS (N. Jasso)**

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

13 SDG&E’s SONGS O&M Balancing Account (“SONGSBA”) records the difference  
 14 between 1) SDG&E’s authorized SONGS O&M revenue requirement for costs billed by SCE,  
 15 and 2) actual costs billed by SCE.<sup>21</sup>

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<sup>20</sup> Includes FF&U.

1 The balance in the SONGSBA is transferred annually to the Non-fuel Generation  
2 Balancing Account (“NGBA”) in order to refund ratepayers any overcollections (or recover  
3 undercollections). As a result of the SONGS Amended and Rested Settlement Agreement  
4 (“Settlement”) approved in D.14-11-040, the SONGSBA 2014 year-end balance forecasted<sup>22</sup> to  
5 be \$15.5 million overcollected will be refunded to ratepayers through a credit to SDG&E’s  
6 NGBA.

7 On February 21, 2014, SDG&E submitted Advice Letter (“AL”) 2579-E, requesting  
8 authority to withdraw \$39 million from the SONGS 2 & 3 NDT for decommissioning costs  
9 incurred June through December 2013. Upon approval of the aforementioned advice letter, for  
10 those Trust withdrawals related to 2013 O&M costs recorded in the SONGSBA, SDG&E intends  
11 to record the withdrawals as a credit to the ERRA pursuant to the Settlement.<sup>23</sup> Likewise, if and  
12 when SDG&E receives Commission authorization to withdraw Trust funds for 2014 O&M costs  
13 recorded in the SONGSBA, SDG&E intends to credit ERRA with the Trust withdrawals  
14 pursuant to Section 4.9 of the Settlement.<sup>24</sup>

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

19 **b. SONGS 2 & 3 Permanent Closure Non-Investment Related Expense**  
20 **Memorandum Account (“SPCEMA”) (2015<sup>+</sup> Costs)**

21 SDG&E will cease recording entries in the SONGSBA for costs incurred on or after  
22 January 1, 2015.<sup>25</sup> Instead, in preparation for the fact that SDG&E will no longer have an  
23 authorized O&M revenue requirement resulting from a SCE general rate case (which is one of  
24 the assumptions for the SONGSBA’s purpose), the SPCEMA will become the appropriate

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<sup>21</sup> 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.

<sup>22</sup> Section 4.9(j)(ii) of the Settlement.

<sup>23</sup> 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.

<sup>24</sup> 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.

<sup>25</sup> 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.

1 account to record such costs. In addition, recognizing that not all decommissioning costs  
2 SONGS incurs may be recorded in the SONGSBA, and in the interest of recording all SONGS  
3 costs eligible to be paid with trust funds in one place, SDG&E intends to use the SPCEMA to  
4 record all SONGS costs incurred on or after January 1, 2015 that are eligible to be paid with  
5 decommissioning trust funds.<sup>26</sup>

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

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<sup>26</sup> 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 3<sup>rd</sup> 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 a Project Manager II in  
3 the Electric Rates section of the Electric Rates & Analysis department. My business address is  
4 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.

**ATTACHEMENT A**

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

**ATTACHMENT A**

**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.<sup>27</sup> 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**

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

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<sup>27</sup> 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.