

Company: San Diego Gas & Electric Company (U902M)
Proceeding: 2016 General Rate Case
Application: A.14-11-003
Exhibit: SDG&E-212

SDG&E

REBUTTAL TESTIMONY OF MICHAEL L. DE MARCO

(SONGS)

June 2015

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



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1 **SDG&E REBUTTAL TESTIMONY OF MICHAEL L. DE MARCO**

2 **I. SUMMARY OF DIFFERENCES**

3

TOTAL O&M - Nominal (\$000)			
	Base Year 2013	Test Year 2016	Change
SDG&E	\$1,324	\$1,293	\$(31)
ORA	\$1,324	\$1,293	\$(31)

4

TOTAL CAPITAL - Nominal (\$000)			
	2014	2015	2016
SDG&E	\$853	\$6,216	\$2,319
ORA	\$853	\$6,216	\$2,319

5 **II. INTRODUCTION**

6 **A. ORA**

7 The Office of Ratepayer Advocates (ORA) submitted testimony regarding the San
8 Onofre Nuclear Generation Station (SONGS) on April 24, 2015.¹ The following is a summary
9 of ORA’s positions:

- 10 • ORA concurs with SDG&E’s forecast for Workers’ Compensation Insurance and Unit 1
11 Offsite Spent Fuel Storage O&M expenditures, and Marine Mitigation capital expenses.²
- 12 • However, the ORA also takes a position that:
 - 13 ○ Worker’s Compensation Insurance and Unit 1 Offsite Spent Fuel Storage O&M
14 costs are being tracked, subject to refund pursuant to a reasonableness review, in
15 the San Onofre Nuclear Generation Station Balancing Account (SONGSBA), an
16 established two-way balancing account.³
 - 17 ○ Marine Mitigation Capital Expenditures are also being tracked, subject to refund
18 pursuant to a reasonableness review, in the SONGSBA.⁴

19 Because SONGS O&M and capital costs are already tracked, subject to refund, in a future

¹ Ex. ORA-8 (SDG&E – Electric Generation and SONGS), ORA witness M. Loy. No other party submitted testimony about SONGS.

² Ex. ORA-8 at 24 (Table 8-17) and 26 (Table 8-19).

³ Ex. ORA-8 at 23, lines 13-14.

⁴ Ex. ORA-8 at 25, lines 13-14.

1 reasonableness review, SDG&E's SONGS request in this proceeding is unnecessary.⁵

2 **III. REBUTTAL TO ORA'S O&M PROPOSALS**

3 **A. Non-Shared Services O&M**

NON-SHARED O&M - Nominal (\$000)			
	Base Year 2013	Test Year 2016	Change
SDG&E	\$1,324	\$1,293	\$(31)
ORA	\$1,324	\$1,293	\$(31)

4 **1. SDG&E's SONGS O&M Costs**

5 SDG&E's SONGS O&M request consists of costs related to the Master Insurance
6 Program ("MIP", alternatively known as "Workers' Compensation") and Unit 1 Offsite Spent
7 Fuel Storage.

8 **a. ORA**

9 **i. ORA Concurs with SDG&E's O&M Request**

10 ORA concurs with SDG&E's forecast for SONGS O&M costs and resulting request.⁶

11 **ii. SDG&E Workers' Compensation Costs are Tracked in the**
12 **SONGSBA But SDG&E Must Seek Them in this GRC**

13 ORA correctly states that SDG&E's O&M Workers' Compensation Costs are tracked in
14 the SONGSBA.⁷ The SONGSBA is a Commission-approved two-way balancing account to
15 track certain O&M costs billed by Southern California Edison (SCE) against their associated
16 authorized revenue requirements.⁸

17 ORA also asserts that SDG&E's request for Workers' Compensation Costs in this GRC
18 is moot because these costs are already subject to refund through a future reasonableness review
19 through the SONGSBA.⁹ This statement is incorrect. As explained in Rebuttal Testimony of
20 SDG&E witness Jasso (Ex. SDG&E-235), there is no later reasonableness review associated
21 with the SONGSBA. Also, because these Workers' Compensation Costs are not

⁵ Ex. ORA-8 at 25, lines 6-9 and at 26, lines 13-16.

⁶ Ex. ORA-8 at 24 (Table 8-17).

⁷ Ex. ORA-8 at 23.

⁸ The SONGSBA was originally authorized in D.06-11-026 and most recently amended in 2014.

⁹ Ex. ORA-8 at 23.

1 decommissioning costs, they are not subject to reasonableness reviews in the Commission's
2 nuclear decommissioning cost triennial proceedings. Furthermore, it would be inappropriate to
3 conduct a reasonableness review of SDG&E's 20% minority share of Workers' Compensation
4 costs. These costs are driven by SCE, and SDG&E, as the minority SONGS owner, does not
5 have control of the costs. It would be unfair to subject only the SDG&E minority (20%) portion,
6 and not the SCE majority (80%) portion, of these costs to an additional review, especially when
7 SCE is the originator of the costs.

8 SDG&E's request for Workers' Compensation Costs must continue to be reviewed for
9 authorization in SDG&E's GRC. As I explained my direct testimony, the SONGS-related
10 Workers' Compensation costs are included in SCE's revenue requirement, but they are not
11 specifically identified as separate costs.¹⁰ They are also not addressed in SCE's TY2015 GRC.¹¹
12 Therefore, unlike Marine Mitigation, SDG&E cannot simply derive its 20% revenue requirement
13 from the SCE GRC for these costs. Thus, SDG&E must continue to seek its portion of SONGS
14 Workers' Compensation costs in this proceeding.

15 **iii. Unit 1 Offsite Spent Fuel Storage O&M Costs are Not Tracked in**
16 **the SONGSBA**

17 ORA incorrectly asserts that SDG&E's Unit 1 Offsite Spent Fuel Storage costs are
18 tracked in the SONGSBA.¹² This statement is incorrect. As explained in Rebuttal Testimony of
19 SDG&E witness Jasso (Ex. SDG&E-235), the SONGSBA may only be used for certain, specific
20 O&M costs associated with SONGS Units 2 and 3. Unit 1 Offsite Spent Fuel Storage Costs are
21 only associated with SONGS Unit 1. Therefore, they are not eligible to be tracked in the
22 SONGSBA. Instead, these costs are recovered in the Nuclear Decommissioning Adjustment
23 Mechanism (NDAM) account.

24 As I stated in my direct testimony, the Unit 1 Offsite Spent Fuel Storage Costs have
25 historically been reviewed and authorized in SDG&E's GRC.¹³ SDG&E's current request is
26 consistent with this past precedent. In addition, these costs are not currently subject to a
27 reasonableness review in any other proceeding.

28

¹⁰ Ex. SDG&E-12-R at 8, lines 28-31.

¹¹ Ex. SDG&E-12-R at 4, lines 9-10.

¹² Ex. ORA-8 at 25, lines 6-9.

¹³ Ex. SDG&E-12-R at 5, lines 5-6.

1 **IV. REBUTTAL TO ORA’S CAPITAL PROPOSALS**

2 **A. SONGS Marine Mitigation Capital Project**

TOTAL CAPITAL - Nominal (\$000)			
	2014	2015	2016
SDG&E	\$853	\$6,216	\$2,319
ORA	\$853	\$6,216	\$2,319

3 **1. SDG&E’s SONGS Capital Costs**

4 SDG&E’s SONGS Capital request consists of costs related to Marine Mitigation.

5 **a. ORA**

6 **i. ORA Concurs with SDG&E’s Capital Request**

7 ORA concurs with SDG&E’s forecast for SONGS Marine Mitigation capital costs.¹⁴

8 **ii. Marine Mitigation Costs Are Not Tracked in the SONGSBA**

9 ORA incorrectly asserts SDG&E’s Marine Mitigation Costs, which are entirely capital or
10 capital-related expenditures, are tracked in the SONGSBA and thus subject to refund pursuant to
11 a future reasonableness review of the SONGSBA.¹⁵

12 As explained in Rebuttal Testimony of SDG&E witness Jasso (Ex. SDG&E-235), the
13 SONGSBA may only be used for O&M costs and cannot be used to track capital costs.
14 Therefore, it is not appropriate for SDG&E to track its Marine Mitigation capital costs in the
15 SONGSBA.

16 Furthermore, contrary to ORA’s suggestion, it would not be appropriate to conduct a
17 reasonableness review of SDG&E’s Marine Mitigation capital costs in another Commission
18 proceeding. Forecasts and resulting requests for Marine Mitigation capital costs are currently
19 reviewed in the SCE GRCs. As explained in my Revised Testimony,¹⁶ the Commission has
20 previously stated that to maintain consistent treatment of SONGS O&M costs and capital
21 expenditures for the two utilities, and to avoid litigating SONGS costs and expenditures in more

¹⁴ Ex. ORA-8 at 26 (Table 8-19).

¹⁵ Ex. ORA-8 at 27, lines 1-5. ORA also incorrectly asserts that some portion of Marine Mitigation costs are O&M. See Ex. ORA-23 at 11-14.

¹⁶ Ex. SDG&E-12-R (De Marco), March 2015, at 3, lines 2-7.

1 than one proceeding, SDG&E's SONGS-related expenses that are presented in SCE's GRC
2 should be addressed in SCE's GRC.¹⁷

3 To require only SDG&E's 20% minority share of Marine Mitigation capital expenditures
4 to be subject to an additional reasonableness review would result in confusion and inequity.
5 SDG&E's Marine Mitigation costs would be subject to a second review above and beyond the
6 SCE GRC. In addition, only the SDG&E (20%) portion, and not SCE (80%) portion, would be
7 subject to the additional review. Such an additional review for the minority party, which is not
8 responsible for originating these costs, would be an absurd result.

9 **V. CONCLUSION**

10 ORA concurs with SDG&E's forecast for SONGS Workers' Compensation, Unit 1
11 Offsite Spent Fuel Storage and Marine Mitigation Costs.

12 SDG&E respectfully requests:

- 13 • that its SONGS O&M costs presented in this proceeding be authorized; and
- 14 • a finding that SDG&E will be able to update its revenue requirement for its 20%
15 share of SONGS-related Marine Mitigation costs and escalation to reflect the
16 Commission's final authorized amounts established in SCE's pending TY2015
17 GRC, A.13-11-003.

18 This concludes my prepared rebuttal testimony.

¹⁷ See, e.g., D.04-07-022, 2004 Cal. PUC LEXIS 325 at Finding of Fact 43 ("To ensure consistent treatment of SONGS expenditures and to avoid duplicate litigation, the Commission has addressed SONGS-related expenses that SCE bills to SDG&E in SCE's GRCs.").

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Michael L. De Marco and my business address is 8315 Century Park Court,
3 San Diego, California 92123.

4 I have been employed by SDG&E since May 2007 as Team Leader of the Nuclear
5 Section in the Electric Project Development & Business Planning Department. My current
6 responsibilities include representing SDG&E's ownership interests at SONGS.

7 Prior to working for SDG&E, I worked at SCE. Previous positions relevant to my
8 testimony include: Nuclear Plant Operator, SONGS (1989 – 2001), Technical Specialist, Nuclear
9 Rate Regulation (2002 – 2003), Senior Financial Analyst, Energy Supply and Management
10 (2003 – 2006), and Senior Project Manager, Power Procurement (2006– 2007). I earned a
11 Bachelor of Science degree in Workforce Education from Southern Illinois University at
12 Carbondale in 1998 and a Master of Business Administration degree from the University of
13 California, Irvine in 2001. I am a registered Project Management Professional with the Project
14 Management Institute.

15 This material was personally reviewed by me and I believe it to be correct that it is
16 factual in nature. Insofar as the material is in the nature of opinion or judgment, it represents my
17 best judgment.

18 I have previously testified before this Commission.