

UCAN DATA REQUEST
UCAN-SDG&E DR-02
SONGS DCE APPLICATION – A.14-12-007
SDG&E RESPONSE
DATE RECEIVED: JUNE 5, 2015
DATE RESPONDED: JUNE 19, 2015

1. SCE proposes a two-way balancing account to track SONGS O&M expenses that cannot be funded from the decommissioning trust funds (SCE---2,p.19). SCE has indicated that these costs will not be considered in the SONGS decommissioning reasonableness reviews and that SDG&E will be responsible for a share of these costs (SCE response to UCAN---01,Q.14). Please provide SDG&E’s proposal for Commission review and rate recovery for SDG&E’s share of these costs.

SDG&E Response:

As of the date of this response, SDG&E has identified (in alphabetical order) the following as costs that it believes may not be funded from the decommissioning trust funds.

- **Capital Costs not Related to Decommissioning** (excludes Marine Mitigation): Those capital costs billed by SCE that do not relate to decommissioning, and which are not Marine Mitigation capital costs, are governed by the terms of the OII Settlement Agreement.
- **Costs Related to Pursuing Recoveries from MHI/NEIL**: SDG&E incurs costs associated with pursuing recovery from third parties (specifically NEIL and MHI). SDG&E’s costs are governed by section 4.11 of the OII Settlement Agreement. SDG&E has established tracking accounts for both NEIL and MHI net litigation costs. Pursuant to section 4.11 of the OII Settlement Agreement, the Commission has the authority to review “SONGS Litigation Costs to ensure they are not exorbitant in relation to the recovery obtained.”
- **Marine Mitigation Capital costs**: SCE bills SDG&E for its 20% portion of these costs. The forecast for these costs is litigated in SCE’s GRC and SDG&E traditionally receives its authorized revenue requirement for its portion of the costs through the SCE GRC (see A.13-11-003). SDG&E recovers these costs through its Non-Fuel Generation Balancing Account (“NGBA”).
 - o **2014 Marine Mitigation Capital costs**: SDG&E has an authorized revenue requirement for its 2014 Marine Mitigation Costs through the TY2012 SCE GRC (D.12-11-051). The costs SDG&E incurred in 2014 are governed by the OII Settlement Agreement.
 - o **2015 and beyond Marine Mitigation Capital costs**: SDG&E is currently waiting for an authorized revenue requirement for its future Marine Mitigation costs in the pending SCE GRC. Since no SCE GRC decision has yet been issued, SDG&E has established the Marine Mitigation Memorandum Account (“MMMA”) for its Marine Mitigation costs incurred starting January 1, 2015.

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Response to Question 1 (Continued)

- **Pre-Decommissioning Workers’ Compensation costs:** SCE bills SDG&E for its 20% portion of workers’ compensation costs (including claims) related to pre-decommissioning periods for SCE employees, former SCE employees and contractors at SONGS. These costs are also sometimes referred to as Masters Insurance Program (“MIP”) or industrial accident and litigation insurance costs. These costs are usually handled in GRCs. SDG&E has provided a forecast and seeks an authorized revenue requirement for its portion of these SONGS costs in its GRC (*see* A.14-11-003). SDG&E records these costs in the existing SONGS Balancing Account (“SONGSBA”).
 - o 2014 costs: SDG&E included these costs to be reviewed in its reasonableness review of 2014 expenses for SONGS 2 and 3 Application, A.15-02-006, as O&M costs. SDG&E recorded these costs in the SONGSBA.
 - o 2015 and beyond costs: SDG&E will continue seeking an authorized revenue requirement for these costs in GRCs and record the costs in SONGSBA.
- **Nuclear Fuel Reprocessing Costs:** SDG&E’s 20% portion of the costs to store nuclear fuel at third parties’ sites and to reprocess the fuel for resale (including cost recovery) is governed by section 4.7 of the OII Settlement Agreement.
- **Pre-Shutdown Employee Severance Costs:** SDG&E continues to incur costs billed by SCE related to severance for SCE employees downsized at SONGS before the facility shutdown and closure (and thus not related to the SONGS closure or decommissioning). These costs are sometimes referred to as “Rate Challenge” costs. SDG&E records these costs in SONGSBA.
 - o 2014 Non-Decommissioning Employee Severance costs: SDG&E included these costs to be reviewed in its reasonableness review of 2014 expenses for SONGS 2 and 3 Application, A.15-02-006, as O&M. SDG&E recorded these costs in its SONGSBA.
 - o 2015 and beyond Non-Decommissioning Employee Severance costs: SDG&E records these costs in the SONGSBA.
- **Pre-Shutdown Results Sharing Costs:** In 2014, SDG&E was billed for and paid SCE for pre-shutdown results sharing costs incurred by SCE in 2013. A portion of these costs relate to the non-decommissioning period of 2013 and thus, are not eligible for payment with trust funds. SDG&E records these costs in SONGSBA.
 - o 2014 Pre-Shutdown Results Sharing Costs: SDG&E included these costs to be reviewed in its reasonableness review of 2014 expenses for SONGS 2 and 3 Application, A.15-02-006, as O&M. SDG&E recorded these costs in SONGSBA.

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Response to Question 1 (Continued)

- 2015 and beyond Pre-Shutdown Results Sharing Costs: While SDG&E has not been billed for these costs in 2015 and does not expect to receive any additional invoices for these costs, any additional costs billed by SCE will be recorded in SONGSBA.

- **Seismic Studies**: SDG&E has authority in OP 6 and 7 of D.12-05-004 to pay up to \$12.8 million for seismic and tsunami studies allocated and billed to SDG&E by SCE plus any amounts related to the costs associated with the Energy Division Director’s review. These costs are to be recorded and recovered in SONGSBA unless SONGSBA is no longer in effect; at which time SDG&E is authorized to establish a seismic balancing account to recorded and recover costs.

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- In the event costs exceed \$12.8 million, SDG&E is authorized to establish a seismic memorandum account to record costs and request recovery via advice letter no later than six months following the completion of the studies being performed by SCE.

- **SONGS Technical Assistance**: SDG&E’s authorized revenue requirement for these costs is capped at 20% of \$150,000 and is to be recorded in the SONGS Technical Assistance Memorandum Account (“STAMA”) (see OP 6 of D.13-06-013). SDG&E is authorized to transfer the balance of the STAMA to the NGBA for recovery.

Please note that some of the costs identified above may be determined at a later date to be “decommissioning” costs, payable from the nuclear decommissioning trust funds. In addition, SDG&E may identify other SONGS-related costs in the future that are not eligible to be paid with nuclear decommissioning funds, and will seek recovery of those costs, as appropriate.

Also, please note that SDG&E did not identify any Unit 1 costs because Application (A.14-12-007) only relates to decommissioning cost estimates for SONGS Units 2 and 3.