

Application No.: A.22-02-016  
Exhibit No.: SDGE-01  
Witnesses: Sue E. Garcia  
Tracy M. Dalu

**PREPARED DIRECT TESTIMONY**

**ON BEHALF OF**

**SAN DIEGO GAS & ELECTRIC COMPANY**

**(SDG&E's Oversight and Fiscal Management Role at SONGS, DOE Litigation  
Proceeds, and Compliance with Prior Commission Decisions)**



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

**February 28, 2022**

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

**I. OVERVIEW OF SDG&E’S REQUEST (S. GARCIA)**

In this 2021 Nuclear Decommissioning Cost Triennial Proceeding (“NDCTP”), San Diego Gas & Electric Company (“SDG&E”) is providing testimony in support of its requests that the California Public Utilities Commission (“CPUC” or “Commission”):

- 1) Approve as reasonable the Southern California Edison Company (“SCE”) 2020 San Onofre Nuclear Generating Station (“SONGS”) Unit 1 (“SONGS 1” or “SONGS Unit 1”) decommissioning cost estimate (“DCE”) for remaining SONGS 1 decommissioning work and SDG&E’s 20% share of the costs (\$45.2 million, 2014\$);<sup>1</sup>
- 2) Approve as reasonable the 2020 SONGS Units 2&3 (“SONGS 2&3” or “SONGS Units 2&3”) DCE for SONGS 2&3 decommissioning work and SDG&E’s 20% share of the costs (\$942.4 million, 2014\$);<sup>2</sup>
- 3) Approve as reasonable the \$19.4 million (SDG&E share, 2014\$) estimate of future SDG&E-only costs for SONGS 1 and SONGS 2&3;<sup>3</sup>
- 4) Approve SDG&E’s request to maintain its annual contributions to its SONGS 1 Nuclear Decommissioning Trusts (“NDTs”) at zero (\$0.00), based upon the current estimate of decommissioning costs for SONGS 1, current level of funding of the SONGS 1 NDTs, projected escalation rates, and financial market

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<sup>1</sup> The total updated SCE SONGS 1 DCE is \$225.9 million (100%, 2014\$). Exhibit (“Ex.”) SCE-04 at 1.

<sup>2</sup> The total updated SONGS 2&3 DCE is \$4,712 million (100%, 2014\$). Ex. SCE-04 at 1.

<sup>3</sup> Ex. SDGE-03 at 1.

1 conditions known at the time the Joint Application was filed (November 8,  
2 2021);<sup>4</sup>

3 5) Approve SDG&E's request to maintain its annual contributions to its SONGS  
4 2&3 NDT at zero (\$0.00), based upon the current estimate of decommissioning  
5 costs for SONGS 2&3, current level of funding of the SONGS 2&3 NDTs,  
6 projected escalation rates, and financial market conditions known at the time the  
7 Joint Application was filed (November 8, 2021);<sup>5</sup>

8 6) Approve as reasonable the \$0.7 million (SDG&E share, 2014\$) for SONGS 1  
9 decommissioning expenses invoiced to SDG&E by SCE for completed distributed  
10 activities and undistributed costs for the 2021 NDCTP review period;<sup>6</sup>

11 7) Approve as reasonable the \$118.3 million (SDG&E share, 2014\$) for SONGS  
12 2&3 decommissioning expenses invoiced to SDG&E by SCE for completed  
13 distributed activities and undistributed costs for the 2021 NDCTP review period;<sup>7</sup>

14 8) Approve as reasonable the \$4.5 million (2014\$) in SDG&E-only costs for  
15 SONGS incurred during the 2021 NDCTP review period;<sup>8</sup>

16 9) Find that SDG&E is compliant with prior Commission decisions regarding the  
17 NDCTP;<sup>9</sup> and

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<sup>4</sup> Ex. SDGE-04 at 6.

<sup>5</sup> Ex. SDGE-04 at 7.

<sup>6</sup> Ex. SDGE-02 at 1.

<sup>7</sup> Ex. SDGE-02 at 1.

<sup>8</sup> Ex. SDGE-02 at 1.

<sup>9</sup> Ex. SDGE-01 at 16-18.

1           10)    Authorize United States Department of Energy (“DOE”) refunds received to be  
2                    returned to the NDTs.<sup>10</sup>

3           **A.    Procedural Background**

4            Approximately every three years, the California electric utilities that have ownership  
5 shares in nuclear power plants file NDCTP applications. As set forth by the Commission in  
6 Decision (“D.”) 10-07-047, the objectives of the NDCTP are “[1] to set the annual revenue  
7 requirements for the decommissioning trusts for the nuclear powerplants owned by Southern  
8 California Edison Company, San Diego Gas & Electric Company, and Pacific Gas and Electric  
9 Company, [2] to verify the utilities are in compliance with prior decisions applicable to  
10 decommissioning and [3] to determine whether actual expenditures by the utilities for  
11 decommissioning activities are reasonable and prudent.”<sup>11</sup>

12           **B.    Content Of SDG&E’s NDCTP Testimony Volumes**

13            SDG&E offers the following testimony to cover these various areas:

14            **1.    Overview**

15                    Testimony in Ex. SDGE-01 provides an overview of SDG&E’s Oversight  
16                    role at SONGS and SDG&E’s Oversight and Fiscal Management roles and  
17                    procedures. It also provides information on the NDT cost recovery  
18                    process, DOE settlements received during the triennial period, treatment  
19                    of future DOE refunds, and compliance with prior Commission decisions.

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<sup>10</sup> Ex. SDGE-01 at 14-16.

<sup>11</sup> D.10-07-047 at 2.

1                   **2. SONGS 1 and SONGS 2&3 Reasonableness Reviews**

2                   Testimony in Ex. SDGE-02 presents SONGS 1 and SONGS 2&3  
3                   decommissioning expenses incurred by SDG&E that are subject for  
4                   review in this NDCTP. It also provides support for a finding of  
5                   reasonableness for these costs recorded by SDG&E for SONGS 1 and  
6                   SONGS 2&3.

7                   **3. 2020 SONGS 1 and SONGS 2&3 DCE**

8                   Testimony in Ex. SDGE-03 provides support for a finding of  
9                   reasonableness for the updated SCE SONGS 1 DCE and SONGS 2&3  
10                  DCE, including future SDG&E-only incurred costs.

11                  **4. SONGS 1 and SONGS 2&3 Trust Fund Contributions, Trust Fund**  
12                  **Management, Tax Issues and Regulatory Accounting**

13                  Testimony in Ex. SDGE-04 presents SDG&E’s financial assumptions and  
14                  analyses, trust fund contribution requests for SONGS 1 and SONGS 2&3,  
15                  trust fund committee requirements, tax issues associated with the  
16                  decommissioning of SONGS and the regulatory accounting for SONGS 1  
17                  and SONGS 2&3.

18 **II. SONGS OVERSIGHT BY SDG&E (S. GARCIA)**

19                  SONGS is licensed under the Nuclear Regulatory Commission (“NRC”) as three units.  
20                  SDG&E has a 20% minority ownership stake in each of the three nuclear units and, as such, is  
21                  contractually obligated to pay its 20% ownership share of all expenses including  
22                  decommissioning expenses. Ever since the SONGS site entered the decommissioning period in  
23                  June 2013, SDG&E has worked to create decommissioning oversight – both of activities at  
24                  SONGS and the related fiscal and accounting activities – by bolstering current and establishing

1 new processes and procedures. This testimony describes SDG&E’s oversight processes and  
2 procedures.

3 **A. SDG&E’s Oversight Role of Activities at SONGS (S. Garcia)**

4 While SDG&E is neither the NRC licensee for SONGS (the licensee is SCE), nor the  
5 decommissioning agent for SONGS (the agent is SCE), SDG&E has sought to make significant  
6 improvements in its decommissioning oversight role at SONGS through different processes.

7 First, ever since SCE announced SONGS’ permanent cessation of operations, SDG&E  
8 has sought to create an effective internal SONGS decommissioning group (“SONGS Team” or  
9 “SONGS Group”) that previously reported to SDG&E’s Vice President – Enterprise Risk  
10 Management and Compliance and starting in August 2019 now reports to SDG&E’s Vice  
11 President – Energy Procurement and Sustainability. Starting in 2016, SDG&E increased the  
12 number of employees working on SONGS decommissioning and at the end of 2021, SDG&E  
13 had six employees focused on SONGS decommissioning oversight. The Manager of Nuclear  
14 Decommissioning is responsible for managing the SONGS Group to ensure that SDG&E’s  
15 oversight is effective. The Principal Nuclear Decommissioning Advisor is located on-site and  
16 focuses on day-to-day oversight activities at SONGS. The Nuclear Decommissioning Fiscal  
17 Manager and a team of three other employees (“Fiscal Team”), a subset of the SONGS Group,  
18 are responsible for SDG&E’s fiscal management role as a minority owner of SONGS.

19 Second, when the plant was producing electricity, SDG&E stationed a dedicated  
20 employee at the plant to follow major activities at the site and to report to SDG&E management  
21 plant status relative to projects and budget. Now that SONGS is in decommissioning, SDG&E  
22 stations the Principal Nuclear Decommissioning Advisor at the plant to participate in middle and  
23 upper management site meetings to keep apprised of decommissioning activities and plans. The  
24 Principal Nuclear Decommissioning Advisor participates in daily plant meetings, weekly project

1 status meetings, monthly project update meetings, and monthly SONGS Participants Executive  
2 Committee and Budget Committee meetings. In addition, to keep current on NRC issues,  
3 SDG&E also attends NRC inspection entrance and exit conferences and reviews NRC inspection  
4 reports and other relevant NRC reports related to SONGS.

5 Third, in April 2015, SDG&E and the other three SONGS Participants<sup>12</sup> executed a  
6 Decommissioning Agreement that governs SDG&E co-owner participation roles and  
7 responsibilities during decommissioning for all three units. This agreement materially improved  
8 the rights of the minority co-owners in dealing with SCE. The Decommissioning Agreement  
9 established the decommissioning agent, participant funding responsibilities and participant  
10 involvement in the governance of the decommissioning agent. The Decommissioning  
11 Agreement also established the Executive, Budget, Fiscal, and Legal committees. The Budget  
12 and Executive committees approve major monetary commitments. SDG&E actively participates  
13 in all four of the committees. In addition, independent nuclear experts (i.e., the  
14 Decommissioning Advisor) assists the Executive Committee on an as-needed basis.

15 Fourth, soon after shutdown, SDG&E retained a spent nuclear fuel/decommissioning  
16 consultant, Mr. Adam Levin, to serve as an industry consultant to its SDG&E SONGS team. Mr.  
17 Levin provides valuable insight as to past and present decommissioning activities within the  
18 industry, NRC requirements, and nuclear issues before the DOE. He serves as SDG&E's  
19 industry expert when we seek confirmation that activities or plans for SONGS comport with  
20 industry practices.

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<sup>12</sup> SONGS 1 Participants are SCE and SDG&E. SONGS 2&3 Participants are SCE, SDG&E, the City of Anaheim, and the City of Riverside.



1 Fifth, in 2017 and 2018, SDG&E retained Mr. Joseph Carignan and Mr. Thomas  
2 LaGuardia, both decommissioning cost estimate experts, to provide technical support in  
3 SDG&E's review of the decommissioning cost estimate, schedule, and supporting  
4 documentation provided by SCE. This support and guidance included training and review of  
5 numerous decommissioning documents, including assumptions and decommissioning cost  
6 estimates prepared for SONGS 1 and SONGS 2&3. These reviews included on-site meetings  
7 with SDG&E and SCE personnel at both the SDG&E offices and at SONGS. SDG&E's  
8 intention was that by bringing this level of experience and expertise to its effort, SDG&E was  
9 ensuring that its due diligence over SCE's activities was accomplished and the work product for  
10 the SONGS 1 and SONGS 2&3 DCEs would be improved.

11 In addition, in 2017, Messrs. Carignan and LaGuardia provided a training course for  
12 SDG&E focused on introductions to the challenges of nuclear plant decommissioning, industry  
13 lessons learned, and the methods and approaches for providing decommissioning oversight.

14 Sixth and lastly, SDG&E personnel attended an Argonne National Laboratories three-day  
15 decommissioning training course. In November 2016 the Manager of Nuclear  
16 Decommissioning, in March 2017 the Principal Nuclear Decommissioning Advisor and in March  
17 2018 the Nuclear Decommissioning Fiscal Manager and the Principal Financial Analyst attended  
18 the course. In addition, SDG&E personnel periodically have attended industry conferences that  
19 focus on decommissioning.

#### 20 **B. SDG&E's Fiscal Management Role and Procedures (T. Dalu)**

21 As a 20% minority owner of all three units at SONGS, SDG&E has a fiscal responsibility  
22 to fund 20% of the decommissioning activities at SONGS. Since the June 2013 shutdown  
23 announcement, SDG&E has developed several procedures and processes to fulfill its fiscal  
24 management role as a minority owner of SONGS.

1 SDG&E structured its new internal Fiscal Team, a subset of the SONGS Group, to  
2 emphasize fiscal review. Prior to decommissioning, SDG&E had one employee dedicated to  
3 fiscal review for SONGS. At the end of 2021, this group now has four employees with the  
4 primary goal of the Fiscal Team being to provide diligent fiscal management over the  
5 decommissioning of SONGS, its related costs and regulatory requirements and filings. SDG&E  
6 added a Nuclear Decommissioning Fiscal Manager in 2016. The Nuclear Decommissioning  
7 Fiscal Manager is dedicated to ensuring that costs billed by SCE and SDG&E internal costs are  
8 reviewed, reported and in compliance with CPUC and NRC requirements. The Fiscal Team also  
9 has one Principal Financial/Budget Analyst, one Senior Accountant, and one Associate level  
10 Business Analyst, all of whom are dedicated to the accounting, reporting, and review of SONGS  
11 decommissioning expenses. In addition, the SDG&E SONGS Fiscal Team reviews and analyzes  
12 the monthly SONGS cost and contingency reports; prepares documentation for and reviews  
13 SDG&E's withdrawal of SONGS costs from its NDTs; and prepares SDG&E's share of costs  
14 presented in the quarterly expenditure report filings, the annual forecast and recorded cost advice  
15 letter filings, and all costs presented in the NDCTP. The SDG&E SONGS Fiscal Team also  
16 tracks performance to budget and to the decommissioning cost estimate for decommissioning  
17 activities on a monthly basis and follows up with SCE regarding significant under- and over-  
18 budget line items to determine the reasons for each variance. In addition, under the  
19 Decommissioning Agreement, upon the Budget Committee's recommendation, the Executive  
20 Committee reviews and approves the annual decommissioning budget. Contracts or change  
21 orders to existing contracts in excess of \$3 million dollars require unanimous approval by the  
22 SONGS Participants. SDG&E is an active member of these committees.

1 The SDG&E SONGS Fiscal Team reviews SCE’s monthly decommissioning invoices  
2 before authorizing payments. Each invoice is reviewed for accuracy and SDG&E follows up  
3 with SCE concerning any unusual or unexpected fluctuations. Payment of invoices are approved  
4 by the SONGS Team management. Beginning in 2015, SCE’s monthly decommissioning  
5 invoices segregated costs by unit and by decommissioning cost categories as required by the  
6 NRC and the Commission. SCE invoices also started including an Advanced Funding Request  
7 (“AFR”) line item. The AFR line item is an estimate of the funding needed by SCE to fund  
8 decommissioning operations for the upcoming month and is included to mitigate the lag between  
9 SCE’s payment of decommissioning charges and its recovery from the Participants.

10 SDG&E’s review processes includes confirming the detailed actual cost support files and  
11 the AFR support files, provided by SCE, are properly supported and reconcile to the monthly  
12 invoiced amount for each unit. Costs are also reviewed to ensure they are classified by the  
13 appropriate cost categories. When necessary, SDG&E disputes specific line items invoiced. In  
14 2018 - 2020, SDG&E identified eight billing issues that it brought forward to SCE. In  
15 Attachment A, SDG&E provides a log of billing discrepancies or issues identified by SDG&E  
16 surrounding SONGS decommissioning costs billed by SCE in 2018 – 2020 and a resolution for  
17 each.

18 Lastly, in 2018 - 2021 in accordance with the Decommissioning Agreement, an  
19 attestation was done by PricewaterhouseCoopers or Baker Tilly, concerning decommissioning  
20 costs incurred by SCE for the period of January 1, 2017, through December 31, 2020. The  
21 attestation reports concluded that SONGS decommissioning costs for the period were accurate,  
22 only included actual decommissioning costs, and were appropriately allocated among the  
23 Participants. In addition to the PricewaterhouseCoopers and Baker Tilly attestations, SDG&E

1 performs annual Sarbanes Oxley (“SOX”) control testing<sup>13</sup> to ensure the adequacy and  
2 effectiveness of the SDG&E business controls in place over nuclear decommissioning  
3 expenditures billed by SCE and SDG&E’s NDT withdrawal processes. To date, there have been  
4 no deficiencies noted in any of the SOX testing performed regarding SONGS decommissioning.

5 **C. Nuclear Decommissioning Trust Cost Recovery Process (T. Dalu)**

6 SDG&E also has established processes to retrieve funds from its NDTs to pay for nuclear  
7 decommissioning costs. The procedures vary by unit, and follow directives established by the  
8 Commission.

9 In D.99-06-007, the Commission established continuing authorization for SDG&E to  
10 access trust funds for SONGS 1 decommissioning costs as needed. The decision “authorize[d]  
11 the decommissioning of San Onofre Nuclear Generating Station Unit 1 (SONGS 1) and  
12 amendment of the Master Trust Agreements (MTAs) to facilitate timely availability of the funds  
13 to pay the costs of decommissioning.”<sup>14</sup> SDG&E’s resulting process is to request trust  
14 reimbursement for actual SONGS 1 costs billed by SCE on a monthly basis. Each request is  
15 supported by the SCE SONGS 1 decommissioning invoices that have been reviewed and  
16 approved by SDG&E’s SONGS Fiscal Team. Once the request is approved by the Nuclear  
17 Decommissioning Fiscal Manager, SDG&E’s Fiscal Team prepares a “Withdrawal Certificate,”  
18 which is approved and signed by the SDG&E Controller and Chief Accounting Officer and the  
19 authorized representative designated by the SDG&E NDT Committee. Upon approval of the  
20 Withdrawal Certificate, the SDG&E Pension and Trust Investment team contacts the SDG&E  
21 NDT Trustee, currently BNY Mellon, and arranges for assets to be sold from the NDTs. Once

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<sup>13</sup> SOX control testing is mandated by The Sarbanes-Oxley Act of 2002. SOX is a U.S. federal law requiring all companies doing business in the United States to comply with the regulation.

<sup>14</sup> D.99-06-007 at 2.

1 this is complete, the Trustee wires cash to reimburse SDG&E for decommissioning payments  
2 made to SCE or for its own internal decommissioning costs.

3 For SONGS 2&3, SDG&E received authority in 2016<sup>15</sup> to access trust funds for the  
4 upcoming year of forecasted decommissioning expenditures. Specifically, D.16-04-019  
5 authorized SDG&E to file annually Forecast and Recorded Decommissioning Disbursement Tier  
6 2 Advice letters consistent with its share of SONGS 2&3 decommissioning costs as presented by  
7 SCE and billed to SDG&E by SCE, plus any additional administrative costs unique to SDG&E.  
8 Such advice letters must show information supporting the requested disbursements.

9 Based on information provided by SCE and forecasted amounts included in the approved  
10 DCE, SDG&E files the forecasted decommissioning disbursement Tier 2 advice letter in the  
11 fourth quarter every year to request the authority to withdraw funds up to that forecasted amount  
12 in the following year. This includes the estimated disbursement amounts required to cover the  
13 cost of SDG&E's 20% share billed from SCE and SDG&E-only costs that are expected during  
14 the following year. It also includes an estimated amount to be spent for each activity during the  
15 period, a correlation of the activities and costs to the most recently approved DCE, and an  
16 explanation for any differences (amount and timing) from the most recently approved DCE.  
17 SDG&E files the recorded decommissioning disbursement Tier 2 advice letter in the following  
18 year with a true-up of actual expenses to the forecast.

19 Accordingly, SDG&E initiated new processes in 2016 to allow for timely and accurate  
20 reimbursement from the NDTs after each forecast advice letter is approved by the Commission.  
21 Similar to the process noted above for SONGS 1, after reviewing SONGS 2&3 decommissioning

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<sup>15</sup> D.16-04-019, Ordering Paragraph ("OP") 5; SDG&E Advice Letter 2909-E, dated August 2, 2016, effective August 1, 2016.

1 costs billed by SCE (or incurring an SDG&E-only cost), SDG&E’s SONGS Fiscal Management  
2 Group prepares a “Withdrawal Certificate,” which requires the approval of the Nuclear  
3 Decommissioning Fiscal Manager and signature of the SDG&E Controller and Chief Accounting  
4 Officer and the authorized representative designated by SDG&E’s NDT Committee. Upon  
5 approval of the Withdrawal Certificate, the Pension and Trust Investment team contacts the  
6 SDG&E NDT Trustee, currently BNY Mellon, and arranges for assets to be sold from the NDTs.  
7 Once this is complete, the Trustee wires cash to reimburse SDG&E for decommissioning  
8 payments made to SCE or for its own internal decommissioning costs.

9 **III. DOE SETTLEMENT RECOVERY DURING THE TRIENNIAL PERIOD (T.**  
10 **DALU)**

11 In D.18-11-034, the Commission directed SDG&E to provide updated information  
12 regarding spent nuclear fuel claims against the United States DOE in the next NDCTP.  
13 Specifically, the Commission ordered: “disclosure of settlements, awards, or other resolutions of  
14 damage claims completed in the triennial period, based on the United States Department of  
15 Energy’s failure to accept spent nuclear fuel,” and 2) “The Utilities shall also establish how the  
16 recoveries were allocated to the [each SONGS] unit that incurred the cost to ensure that the  
17 appropriate share of net proceeds were commensurate with payments of the underlying costs  
18 supporting the resolved claims, and to the extent appropriate, placed into the related nuclear  
19 decommissioning trust funds or returned to ratepayers in the manner approved by the  
20 Commission.”<sup>16</sup> The following testimony and Table 1 are submitted in compliance with the

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<sup>16</sup> D.18-11-034 at OP 13.

1 Commission’s Order and address claims filed and completed during this triennial period.

2 Testimony for claims completed in 2016 and 2017 was provided in the 2018 NDCTP.<sup>17</sup>

3 In October 2017, SCE, acting for itself and the SONGS Participants, filed claims in the  
4 amount of \$58 million (100% share) for spent fuel management costs incurred in 2016.  
5 SDG&E’s 20% share of the claim was approximately \$11.6 million. In March 2018, the DOE  
6 issued its determination of allowable costs for the claim as \$44 million with SDG&E’s respective  
7 share as \$8.8 million. In April 2018, SCE requested reconsideration from the DOE of \$1.3  
8 million of the DOE’s deductions from the claimed amount. In May 2018, the DOE issued a  
9 supplemental determination that an additional \$1.2 million of the amount requested for  
10 reconsideration was allowable and should be reimbursed. SDG&E received its share of the 2016  
11 DOE Settlement award, net of litigation costs, of \$9.0 million in July 2018. Of the \$9.0 million,  
12 \$1.0 million was credited to the Nuclear Decommissioning Adjustment Mechanism (“NDAM”)  
13 account for offsite Morris storage costs paid for SONGS 1,<sup>18</sup> and \$8.0 million was credited to the  
14 SONGS Permanent Closure Expense Memo Account (“SPCEMA”), which reduced future trust  
15 withdrawals.

16 On November 22, 2019, SCE, on behalf of itself and the SONGS co-participants, filed  
17 a complaint in the U.S. Court of Federal Claims for spent fuel management costs incurred on  
18 or after January 1, 2017 through July 31, 2018. The suit is in discovery, with damages currently  
19 claimed at \$168.3 million. A joint status report is due on July 28, 2022, whereby the parties will  
20 propose a schedule for the dispositive motions and trial. At the time of this filing, SCE, on behalf

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<sup>17</sup> Application (“A.”) 18-03-009, Ex. SDGE-08, Attachment B.

<sup>18</sup> SDG&E and SCE incur annual costs to maintain 270 spent fuel assemblies from SONGS 1 in wet storage at the GE Hitachi facility at Morris, IL.

1 of itself and the SONGS co-participants, plans to wait until the resolution of the pending suit  
 2 before pursuing litigation claims for spent fuel management costs incurred on or after August 1,  
 3 2018.

4 An accounting by unit of SDG&E settlement awards from the DOE during this triennial  
 5 period is provided in Table 1 below.

6 **Table 1**  
 7 **DOE Spent Fuel Litigation During the Triennial Period**  
 8 **(SDG&E 20% Share, Nominal \$\$ in Millions)**  
 9

	Description	2016 Settlement (1)
1	<b>SONGS Unit 1 ISFSI</b>	
2	SONGS Unit 1	\$1.0
3	<b>Subtotal SONGS Unit 1</b>	<b>\$1.0</b>
4		
5	<b>SONGS Units 2&amp;3 ISFSI</b>	
6	SONGS Unit 2	\$4.0
7	SONGS Unit 3	\$4.0
8	<b>Subtotal SONGS Units 2&amp;3</b>	<b>\$8.0</b>
9		
10	<b>Total SONGS Units 1, 2 &amp; 3</b>	<b>\$9.0</b>

10 **General Notes**

11 (1) Claim filed in October 2017, completed in July 2018.

12 **IV. TREATMENT OF FUTURE DOE REFUNDS (T. DALU)**

13 In previous and the current NDCTP proceedings, SDG&E submitted testimony providing  
 14 information on the allocation of DOE proceeds to the appropriate SONGS unit, to the  
 15 appropriate regulatory account or to ratepayers in accordance with payments of the underlying  
 16 costs. Historically, SDG&E has waited to seek recovery of its spent fuel management costs from  
 17 its SONGS 2&3 trusts until litigation claims filed against the DOE have been settled, due to the



1 “Dominion” issue.<sup>19</sup> This issue was clarified on September 4, 2020 when the Internal Revenue  
2 Service (“IRS”) and the U.S. Department of the Treasury issued final regulations defining  
3 amounts related to the storage of spent fuel as nuclear decommissioning costs eligible to be  
4 reimbursed from the qualified trusts. As a result of the new IRS regulations, the process for  
5 recovering spent fuel management costs has changed. SDG&E no longer records its  
6 unreimbursed spent fuel management costs in its SPCEMA and waits for reimbursement from  
7 the DOE before clearing the account and reimbursing itself for prior costs incurred and paid for  
8 by SDG&E. SDG&E now receives reimbursement for these costs directly from its NDTs as the  
9 costs are incurred.

10 In this NDCTP proceeding, SDG&E is requesting to deposit future DOE litigation  
11 settlement proceeds into its Non-Qualified Nuclear Decommissioning Trusts (“NQNDT”) for use  
12 in funding the extended duration of storage, maintenance and protection of the SONGS spent  
13 fuel. SDG&E believes this is prudent, given the uncertainty as to the timing of the DOE’s  
14 obligation to pick up the SONGS spent fuel and may ultimately lead to the prevention of asking  
15 customers for additional contributions in the future. In addition, this approach is consistent with  
16 SCE’s request to hold future DOE refunds in their NQNDTs.<sup>20</sup>

17 SDG&E is requesting a process to obtain Commission approval of future DOE litigation  
18 proceeds through an advice letter process. Upon receipt of future DOE litigation proceeds,

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<sup>19</sup> In December 2014, the IRS issued a Private Letter Ruling (“PLR”) for a Dominion nuclear facility. The PLR stated that the three NRC bucket categories (i.e., License Termination, Spent Fuel Storage and Site Restoration) are nuclear decommissioning costs and may be paid out of the Trust. However, the PLR also stated that certain spent fuel storage costs may not be reimbursed from the Trust now if they will be recovered from litigation or settlement with the DOE. While the favorable ruling that SCE received from the IRS on December 8, 2015, provided some guidance on the issue, it was not directly applicable to SDG&E’s situation and had no precedential value for any utility except for SCE.

<sup>20</sup> Ex. SCE-07 at 10-11.

1 SDG&E would file an advice letter for approval of SDG&E's share of any litigation proceeds  
2 before depositing them into the appropriate SONGS 1, 2 and 3 NQNDTs. The advice letter  
3 would include the current information requirements provided in D.18-11-034.

4 SDG&E is responsible for its 20% of the SONGS 1 spent fuel located at the GE-Hitachi  
5 facility in Morris, Illinois. Payment for these spent fuel storage costs have historically been  
6 tracked in SDG&E's NDAM and recovered through ERRA. The cost for spent fuel storage at  
7 GE-Hitachi has been included in all previous DOE refunds and has been returned to SDG&E  
8 customers through its NDAM. With SDG&E's proposed process of returning all future DOE  
9 litigation proceeds to the appropriate NQNDT, SDG&E proposes that going forward, payment  
10 for SDG&E's share of GE-Hitachi spent fuel storage will be made from the SONGS 1 NQNDT  
11 and separate annual requests for recovery through ERRA will no longer be necessary.

12 SDG&E's proposal to deposit future DOE litigation settlement proceeds into the SDG&E  
13 NQNDTs, will provide additional funds that will be available for spent fuel storage costs,  
14 maintenance and protection of the spent fuel until it is picked up by the DOE. This request may  
15 ultimately avoid asking customers for additional contributions in the future and therefore,  
16 SDG&E is asking the Commission to find this new process reasonable. SDG&E proposes to  
17 implement this revised process with receipt of funds associated with the January 1, 2017 through  
18 July 31, 2018 claim that is currently under review by the U.S. Court of Federal Claims.

## 19 **V. COMPLIANCE WITH PRIOR COMMISSION DECISIONS (T. DALU)**

20 As set forth by the Commission in D.10-07-047, one of the objectives of the NDCTP is to  
21 verify the utilities are in compliance with prior decisions applicable to decommissioning.<sup>21</sup> In  
22 the 2018 NDCTP to comply with D.18-11-034, SDG&E provided a comprehensive table

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<sup>21</sup> D.10-07-047 at 2.

1 demonstrating compliance with prior decisions.<sup>22</sup> In this NDCTP, SDG&E provides compliance  
 2 information for on-going requirements from prior decisions and new requirements from D.21-12-  
 3 026.

4 **SDG&E Compliance with Prior Commission Decisions**  
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Decision	Ordering Paragraphs Applicable to SDG&E	How Compliance Was Achieved
D.21-12-026	5. Southern California Edison Company and San Diego Gas & Electric Company shall use the DCE values adopted in this decision for all decommissioning planning for the respective San Onofre Nuclear Generating Station units.	DCE values adopted in D.21-12-026 are included in testimony in SDGE-02 and SDGE-03.
D.21-12-026	8. The proposed Cost-Categorization Guidelines submitted in this proceeding are hereby approved. Southern California Edison Company and San Diego Gas & Electric Company shall utilize these Guidelines to provide future Decommissioning Cost Estimates through the end of the decommissioning project and annual recorded costs for the applicable Milestone Framework period.	Provided in testimony SDGE-02 and SDGE-03 in SDG&E-only costs section.
D.21-12-026	9. Southern California Edison Company and San Diego Gas & Electric Company shall augment their current practice to include a discussion of relevant DGC Agreement amendments that produce significant variances, as part of future reasonableness review proceedings, according to the schedule identified in the Milestone Framework.	Provided in testimony SDGE-02.
D.21-12-026	Finding of Fact 44: SCE and SDG&E express no objection to submitting testimony providing a detailed discussion and evaluation of the recommendations of the ISFSI Experts Team and accompanying strategic plan, and affirm to do so in the soonest available NDCTP, pending completion of the plan.	SCE provided in testimony SCE-01.
D.18-11-034	11. San Diego Gas & Electric Company (SDG&E) must file annually Forecast and Recorded Decommissioning Disbursement Tier 2 Advice Letters (AL) consistent with its share of San Onofre Nuclear Generating Station 2 and 3 decommissioning costs as	SDG&E filed the following ALs: <ul style="list-style-type: none"> <li>• 2017 Recorded Costs filed May 4, 2018 in AL 3224-E, approved June 5, 2018 and effective June 4, 2018.</li> <li>• 2018 Forecasted Costs filed December 1, 2017 in AL 3156-E, approved January 8,</li> </ul>

<sup>22</sup> A.18-03-009, Ex. SDGE-08 at 6-11.

	presented by Edison and billed to SDG&E by Edison, plus include any additional administrative costs unique to SDG&E. Each such AL must show information supporting the requested disbursements consistent with the Milestone Framework adopted herein.	<p>2018 and effective January 2, 2018.</p> <ul style="list-style-type: none"> <li>• 2018 Recorded Costs filed April 25, 2019 in AL 3368- E, approved May 21, 2019 and effective May 28, 2019.</li> <li>• 2019 Forecasted Costs filed December 5, 2018 in AL 3316-E, approved January 8, 2019 and effective January 4, 2019.</li> <li>• 2019 Recorded Costs filed April 22, 2020 in AL 3531-E, approved June 18, 2020 and effective May 22, 2020.</li> <li>• 2020 Forecasted Costs filed December 18, 2019 in AL 3477-E, approved and effective March 26, 2020.</li> <li>• 2020 Recorded Costs filed April 9, 2021 in AL 3730-E, approved June 15, 2021 and effective May 10, 2021.</li> <li>• 2021 Forecasted Costs filed December 1, 2020 in AL 3651-E, approved December 22, 2020 and effective December 31, 2020.</li> <li>• 2022 Forecasted Costs filed December 3, 2021 in AL 3905-E, approved December 24, 2021 and effective January 3, 2022.</li> </ul>
D.18-10-010	4. Southern California Edison Company and San Diego Gas & Electric Company must file after-the-fact reasonableness reviews of expenditures for decommissioning San Onofre Nuclear Generating Station Units 1, 2 and 3 in the Nuclear Decommissioning Cost Triennial Proceedings, unless otherwise directed.	Provided in testimony SDGE-02.
D.14-12-082	<p>13. Southern California Edison Company, San Diego Gas &amp; Electric Company, and Pacific Gas and Electric Company shall ensure that their respective Nuclear Decommissioning Trust Fund Committee members timely receive the following information:</p> <ul style="list-style-type: none"> <li>• Audited financial statements for the decommissioning trust funds;</li> <li>• Initiation of investment fund manager searches;</li> <li>• Decommissioning cost schedules, including acceleration or any other significant changes;</li> <li>• Approval of nuclear facility license extension; and</li> <li>• Withdrawals of trust funds for decommissioning expenses.</li> </ul>	Provided in testimony SDGE-04.

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This concludes our prepared direct testimony.

1 **VI. STATEMENT OF QUALIFICATIONS**

2 **WITNESS QUALIFICATIONS FOR SUE E. GARCIA**

3 My name is Sue E. Garcia. My business address is 8315 Century Park Court, San Diego,  
4 CA 92123. I am employed by SDG&E as the Manager – Nuclear Decommissioning,  
5 responsible for the oversight and management of SDG&E’s interest in the decommissioning of  
6 the San Onofre Nuclear Generation Station. Previously I was the Manager - Settlements and  
7 Systems in the Electric and Fuel Procurement Department. My duties included the settlements  
8 of all electric and fuel commodity transactions as well as the management and administration of  
9 existing power purchase agreements. I have been employed by SDG&E since 1995. I have been  
10 in my current position since March 2016.

11 I received a Bachelor of Science in Business Administration, with an Accounting  
12 emphasis, from San Diego State University. I am a Certified Public Accountant and a Certified  
13 Internal Auditor.

14 I have previously testified before this Commission.



## ATTACHMENT A

### BILLING ISSUES AND DISCREPANCIES IDENTIFIED BY SDG&E FOR SONGS DECOMMISSIONING COSTS BILLED BY SCE DURING THE TRIENNIAL PERIOD

#### Billing Issues and Discrepancies Identified by SDG&E for SONGS Decommissioning Costs Billed by SCE 2018 - 2020

Issue #	Date	Amount (SDG&E 20% Share)	Issue	Description of Issue	Resolution
1	Jan-18	\$127,130	Overhead Miscalculation and Billing Error	In the review of the monthly SONGS invoices, SDG&E noticed that it did not receive payroll tax or pension and benefit charges on the December 2017 decommissioning invoice.	SCE corrected the error on the January 2018 invoice.
2	Apr-18	\$23,571	Mischarged Audit Fees	In the review of the Q4 2017 SONGS Decommissioning Service Level Agreement Performance Report, SDG&E noticed \$117,855 in audit fees for SCE's nuclear decommissioning trust funds that should not have been charged to the Participants.	Credit was issued to Participants in April 2019.
3	Jul-18	\$29,000	Coastal Development Permit (CDP) Settlement charges allocated to Unit 1 and Unit 2 Only	SDG&E noticed that in the CDP settlement charges billed in July 2018, that costs were allocated to Units 1 and 2 only but should have been allocated to Unit 3.	SCE reallocated the charges to the appropriate Units in October 2018.
4	Aug-18	\$200	CDP Settlement charges - Incomplete billing detail	In the review of CDP settlement charges, SDG&E noticed that the CDP settlement billing detail file was incomplete to accurately identify settlement charges.	SCE's billing group revised the CDP settlement billing detail and agreed to provide a cumulative update of all CDP related charges incurred on future invoices.
5	Sep-18	\$50,760	Site Easement Expenses	In the review of the monthly decommissioning invoices, SDG&E identified charges for three SCE/SDG&E joint easements. Due to the fact that SDG&E is billed by the Navy directly, none of the items billed to SCE for Navy site easements should be billed to SDG&E.	SCE issued a credit of \$50,760 on the January 2019 decommissioning billing.
6	Nov-18	\$65	Overhead Rates	For the October 2018 decommissioning bill, it was noted that SDG&E's independent recalculation of monthly overhead amount did not agree to the amount billed.	A credit was issued to correct the error in November 2018 and SCE made a billing system adjustment to avoid errors in the future.
7	Mar-19	\$1,977,371	Unit 1 Decommissioning Advance Correction	SDG&E noticed a duplicate billing of Unit 1 costs resulting from the misalignment of advances and recorded costs.	SCE issued a credit of \$1.977M on the February 2019 cost month bill to reverse the advance in the same month as when it was recorded.
8	Mar-20	N/A	Monthly billed advances by NRC category	SDG&E requested that SCE breakdown advance funding requests by NRC category.	Beginning in March of 2020, SCE updated their download of advance detail to provide more detail of advance charges by NRC category.