

Application No.: A.22-02-016
Exhibit No.: SDGE-05
Witnesses: Tracy M. Dalu
Sue E. Garcia
Charles D. Ladd

PREPARED REBUTTAL TESTIMONY

ON BEHALF OF

SAN DIEGO GAS & ELECTRIC COMPANY

(DOE Litigation Proceeds, Reasonableness of SONGS Unit 1, Units 2&3 Nuclear Decommissioning Activities and Costs Incurred During 2018-2020, and Reasonableness of 2020 SONGS Unit 1 and SONGS Units 2&3 Decommissioning Cost Estimates)



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

November 14, 2022

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

I. INTRODUCTION (S. GARCIA)

San Diego Gas & Electric Company (“SDG&E”) in direct testimony filed on February 28, 2022, requested that the California Public Utilities Commission (“CPUC” or “Commission”) for the 2021 San Onofre Nuclear Generating Station (“SONGS”) Nuclear Decommissioning Cost Triennial Proceeding (“NDCTP”):

- 1) Approve as reasonable the Southern California Edison Company (“SCE”) 2020 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\$);¹
- 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\$);²
- 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;³
- 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 conditions known at the time Amended Testimony was filed (July 29, 2022);⁴
- 5) Approve SDG&E’s request to maintain its annual contributions to its SONGS 2&3 NDT at zero (\$0.00), based upon the current estimate of decommissioning costs for SONGS 2&3, current level of funding of the SONGS 2&3 NDTs, projected escalation rates, and financial market conditions known at the time Amended Testimony was filed (July 29, 2022);⁵

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

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

³ Ex. SDGE-03 at 1.

⁴ Ex. SDGE-04A at 2.

⁵ Ex. SDGE-04A at 3.

- 1 6) Approve as reasonable the \$0.7 million (SDG&E share, 2014\$) for SONGS 1
2 decommissioning expenses invoiced to SDG&E by SCE for completed distributed
3 activities and undistributed costs for the 2021 NDCTP review period;⁶
- 4 7) Approve as reasonable the \$118.3 million (SDG&E share, 2014\$) for SONGS
5 2&3 decommissioning expenses invoiced to SDG&E by SCE for completed
6 distributed activities and undistributed costs for the 2021 NDCTP review period;⁷
- 7 8) Approve as reasonable the \$4.5 million (2014\$) in SDG&E-only costs for
8 SONGS incurred during the 2021 NDCTP review period;⁸
- 9 9) Find that SDG&E is compliant with prior Commission decisions regarding the
10 NDCTP;⁹ and
- 11 10) Authorize United States Department of Energy (“DOE”) refunds received to be
12 returned to the Non-Qualified Nuclear Decommissioning Trusts (“NQNDT”).¹⁰

13 In addition, SDG&E requested that the Commission continue to apply its “reasonable
14 manager standard” when completing its SONGS decommissioning reasonableness reviews. The
15 Commission’s reasonable manager standard reviews a utility’s actions based upon what the
16 utility knew or should have known at the time the utility takes the action, not just the ultimate
17 results or costs based on hindsight. The review standard also expressly provides that a utility’s
18 actions “may be found to be reasonable and prudent if the utility shows that its decision making
19 process was sound...., *even it turns out not to have led to best possible outcome.*”¹¹ The
20 Commission’s reasonable manager standard does not hold the utilities to unachievable perfect
21 hindsight. It is therefore appropriate for the Commission to determine that SONGS

⁶ Ex. SDGE-02 at 1.

⁷ Ex. SDGE-02 at 1.

⁸ Ex. SDGE-02 at 1.

⁹ Ex. SDGE-01 at 16-18.

¹⁰ Ex. SDGE-01 at 14-16.

¹¹ Decision (“D.”) 05-08-037 at 10-11 (emphasis added).

1 decommissioning activities and expenses are reasonable based on the information provided by
2 SCE and SDG&E in support of this Application.

3 On September 23, 2022, four intervenors, Alliance for Nuclear Responsibility
4 (“A4NR”)¹², Publics Advocates Office at CPUC (“Cal Advocates”)¹³, Public Watchdogs¹⁴, and
5 The Utility Reform Network (“TURN”)¹⁵ provided intervenor testimony on SCE and SDG&E’s
6 direct testimony.

7 No intervenor provided testimony opposing the reasonableness of the SONGS Unit 1
8 decommissioning expenses for the 2021 NDCTP review period nor the 2018-2020 SDG&E-only
9 costs. No intervenor provided testimony opposing SDG&E’s compliance with prior decisions.
10 In addition, no intervenor provided testimony opposing SDG&E’s request to maintain its annual
11 contribution to its SONGS 1 and SONGS 2&3 NDTs at zero.

12 **II. DOE LITIGATION REFUNDS AND EXCESS FUNDS (T. DALU)**

13 **A. DOE LITIGATION PROCEEDS SHOULD BE RETURNED TO THE** 14 **NON-QUALIFIED TRUSTS**

15 TURN and Cal Advocates recommend that the Commission reject SCE and SDG&E’s
16 proposal to deposit litigation proceeds into the NQNDTs and to retain the current method of

¹² Ex. A4NR-1, Testimony of John Geesman on behalf of the Alliance for Nuclear Responsibility (September 23, 2022) (“A4NR Testimony”).

¹³ Ex. CA-01, Testimony of M. Weaver, 2021 Nuclear Decommissioning Cost Triennial Proceeding: Reasonableness of the SONGS 1, 2&3 Nuclear Decommissioning Activities, SONGS 1, 2&3 and Palo Verde Decommissioning Cost Estimates, and DOE Litigation Proceeds for SONGS (September 23, 2022) (“Cal Advocates Testimony”).

¹⁴ Testimony of Public Watchdogs’ Charles Langley and Nina Babiarz on the 2021 Nuclear Decommissioning Cost Triennial Proceeding of Southern California Edison and San Diego Gas & Electric Company (September 23, 2022) (“Public Watchdogs Testimony”).

¹⁵ Ex. TURN-1, TURN-1C, TURN-3 and TURN-3C Testimony of Robert Kinosian on the 2021 Nuclear Decommissioning Cost Triennial Proceeding of Southern California Edison and San Diego Gas & Electric Company (September 23, 2022) (“TURN Testimony”).

1 returning DOE litigation proceeds to ratepayers through the Energy Resource Recover Account
2 (“ERRA”).¹⁶ SDG&E opposes TURN and Cal Advocates recommendations and maintains that
3 the most prudent action for handling future DOE litigation proceeds is to deposit them into the
4 NQNNTs for use in funding future decommissioning expenses. A4NR testimony supports
5 SCE’s and SDG&E’s request¹⁷ and notes that, given the DOE’s history of continued delays in
6 fulfilling its obligation to establish a permanent disposal site and develop a reasonable spent fuel
7 pick up schedule, a reliable start date for spent fuel pick up at the SONGS site is a speculative
8 forecast at best. In D. 21-12-026, the Commission acknowledged the uncertainty surrounding
9 the areas of spent fuel management and storage issues and referenced its expectation of
10 significant evolution in this area over the next decade.¹⁸ The uncertainty continues, with no clear
11 path for resolution. Until a reliable schedule is established, incremental costs for the extended
12 duration of storing, maintaining, and securing the spent fuel are unavoidable. This will require
13 funding from the existing decommissioning trust funds, adding to the potential of required
14 contributions from future ratepayers to address the shortfall caused by the DOE’s failure to
15 perform. By returning any potential DOE refunds received in the future to the appropriate
16 NQNNT, the risk of intergenerational equity will be mitigated as future generations of
17 ratepayers, who did not benefit from SONGS when operating, will not be unjustly obligated to
18 fund decommissioning of the SONGS facility.

¹⁶ Ex. TURN-1 at 31-34 and Cal Advocates Testimony at 8-10.

¹⁷ Ex. A4NR-1 at 29-31.

¹⁸ D. 21-12-026 at 54.

1 **B. RECOVERY OF SONGS 1 SPENT FUEL STORAGE COSTS AND DOE**
2 **LITIGATION PROCEEDS SHOULD BE EQUITABLE**

3 TURN recommends recovering SONGS 1 GE-Hitachi spent fuel storage costs through
4 the SONGS 1 NDT, however, does not support returning DOE litigation proceeds to the SONGS
5 1 NDT.¹⁹ Historically SDG&E and SCE recovered SONGS 1 GE-Hitachi spent fuel storage
6 costs through the ERRA proceeding and returned any DOE litigation proceeds back through
7 ERRA. SDG&E proposed in direct testimony a change in the process whereby both payments
8 for SONGS 1 GE Hitachi spent fuel storage and DOE litigation proceeds received for spent fuel
9 storage flow through the SONGS 1 NDT.²⁰ TURN's recommendation to pay from the NDT but
10 return SONGS 1 DOE litigation proceeds for spent fuel storage costs to ratepayers is inequitable.
11 If trust funds are used to pay for the underlying costs the trust fund should receive the benefit of
12 the DOE litigation refund. This is consistent with the equitable process used historically in the
13 ERRA proceeding.

14 **C. EXCESS FUNDS SHOULD BE MAINTAINED FOR FUTURE USE**

15 TURN recommends that since the SONGS 1 and the SONGS 2&3 Trusts are overfunded,
16 the current value of the SONGS 1 NQNDT funds should be returned to ratepayers now.²¹
17 SDG&E opposes this recommendation as it is too early in the decommissioning process to
18 consider refunding ratepayers at the present. TURN's testimony discusses at length the problems
19 of excess overcollections, however with over 30 years remaining to complete decommissioning,
20 SDG&E contends it is too early in the process to make a determination that excessive
21 overcollections exist. In D. 21-12-026, the Commission concluded that defining excess funding

¹⁹ Ex. TURN-1 at 34.

²⁰ Ex. SDGE-01 at 16.

²¹ Ex. TURN-1 at 6.

1 would occur much later in the decommissioning process, perhaps once the United States Navy
2 specified final site restoration and radiological decontamination standards and the work was
3 completed.²² The NDCTP process was established by the Commission to re-evaluate trust
4 adequacy every three years and one of its primary purposes is to analyze and evaluate future
5 costs and the availability of funds needed to safely and prudently decommission SONGS. Not
6 only does a significant level of uncertainty regarding future decommissioning costs remain, but
7 investment returns on nuclear decommissioning trust funds used to fund these costs, can be
8 cyclical in nature and certain to impact the level of available funding.

9 In addition, to do so would require the Nuclear Regulatory Commission (“NRC”) to
10 change their definition of excess funding. As stated in the 2018 NDCTP proceeding, by
11 SDG&E’s witness, Adam Levin: “NRC Staff has issued regulatory guidance and reiterated when
12 asked, that the return of “excess” decommissioning trust funds will not be allowed until the NRC
13 10 CFR Part 50 license has been terminated. The NRC Part 50 license at SONGS will not be
14 terminated until all spent nuclear fuel and greater-than-Class C (“GTCC”) radioactive waste is
15 removed from the site in 2051.”²³

16 In addition, TURN recommends the Commission require the utilities to provide
17 information in the next NDCTP regarding potential methods of refunding overcollections to
18 ratepayers.²⁴ However, SDG&E opposes this request because it is premature, given that SONGS
19 is in the early stages of decommissioning.

²² D. 21-12-026 at 50.

²³ A.18-03-009, SDGE-09 at 14.

²⁴ Ex. TURN-1 at 7-8.

1 **D. TURNS RECOMMENDATION TO SPEND FUNDS FROM THE**
2 **QUALIFIED TRUSTS VS. SPENDING NON-QUALIFIED TRUST FUNDS**
3 **IS UNNECESSARY**

4 TURN recommends that “the Commission generally direct both SCE and SDG&E to use
5 funds from the Qualified Trusts prior to using any Non-Qualified Trust funds”.²⁵ SDG&E does
6 not oppose this request as this is SDG&E’s normal practice. SDG&E’s practice is to access
7 qualified trust funding for eligible decommissioning expenditures. As stated by SDG&E’s
8 witness Ragan Reeves, “amounts extracted from the Qualified Trusts must only be for “nuclear
9 decommissioning costs” as defined in Treasury Regulations Section 1.468A-1(b)(6) and related
10 guidance.”²⁶ To date, cost withdrawals from SDG&E’s NQNDTs have been rare and of minimal
11 dollar value.

12 **E. PROPERTY INSURANCE DIVIDENDS RECEIVED FROM NUCLEAR**
13 **ELECTRIC INSURANCE LIMITED (“NEIL”) SHOULD OFFSET OTHER**
14 **DECOMMISSIONING COSTS**

15 TURN recommends returning funds received from future NEIL dividends to customers in
16 the year they are received through a rate credit or depositing them into the Non-Qualified Trust
17 Funds.²⁷ SDG&E opposes TURN’s recommendation to return funds directly to customers and
18 like SCE, SDG&E’s preference is to use the Qualified Trusts to pay for annual NEIL premiums
19 and offset other insurance costs with any dividends received.²⁸ If this existing process is not
20 supported by the Commission, SDG&E is open to continuing to pay annual NEIL premiums
21 from its Qualified Trusts and deposit any future NEIL dividends received into its it NQNDT, as

²⁵ Ex. TURN-1 at 7.

²⁶ Ex. SDGE-4 at 9.

²⁷ Ex. TURN-1 at 35.

²⁸ Ex. SCE-09 Section III F.1.f.

1 long as the Commission allows SDG&E to re-evaluate this process should IRS and Treasury
2 guidelines change from current practice, especially with respect to tax rates.

3 **III. RECOMMENDED RECORDED COST DISALLOWANCES SHOULD BE**
4 **REJECTED**

5 SDG&E is not providing rebuttal testimony for all the intervenor’s recommended cost
6 disallowances. SDG&E has reviewed SCE’s rebuttal testimony²⁹ and supports the positions
7 taken by SCE.

8 **A. OUTSIDE LEGAL EXPENSES SHOULD BE FOUND REASONABLE (T.**
9 **DALU)**

10 TURN recommends that \$1.5 million for third-party legal costs related to the resolution
11 of a dispute with the decommissioning general contractor over contract management issues be
12 deemed an unreasonable decommissioning cost.³⁰ SDG&E opposes TURN’s recommendation
13 and supports that resolving contractor dispute was a critical matter needing third party legal
14 expertise to resolve and keep the decommissioning process moving forward. The outside legal
15 costs associated with this dispute were necessary, reasonable, and justifiable and should be
16 deemed a valid and reasonable decommissioning cost.

17 **B. THIRD-PARTY INDEPENDENT REVIEWER COST IS REASONABLE**
18 **AND SHOULD BE REVIEWED IN A FUTURE NDCTP (C. LADD)**

19 Public Watchdogs requests that the CPUC consider SCE’s SONGS Units 2 and 3
20 expenditures of \$115,000.00 for the third-party independent review of the Inspection and
21 Maintenance Program (“IMP”) to be an invalid expense and to direct SCE to reimburse the
22 SONGS 2020 Decommissioning Trust Fund for that expenditure.³¹

²⁹ Ex. SCE-09.

³⁰ Ex. TURN-1 at 30.

³¹ Public Watchdogs Testimony at 6.

1 The third-party independent review of SCE’s IMP was mandated by the California
2 Coastal Commission, to ensure the Holtec multi-purpose canisters at the SONGS ISFSI remain
3 structurally sound to allow on-site transfer and offsite transport when an off-site facility becomes
4 available. The report prepared by LPI Inc. (“LPI”) recommended that SCE revise calculations
5 used from normal distribution analysis calculation methodology to extreme value calculation
6 methodology that accounts for wear depth of scratches. Contrary to what Public Watchdogs
7 claims, SCE accepted this recommendation and all other recommendations and implemented
8 them.³² Therefore, the independent third-party review performed by LPI at a cost of \$115,000
9 should be considered a reasonable decommissioning expense.

10 In addition, it is important to point out that this expenditure was booked to the ISFSI
11 Aging Management major project. In accordance with Decommissioning Reasonableness
12 Framework adopted by the Commission in the 2015 NDCTP Decision, D. 18-11-034, major
13 projects are reviewed when they are complete. The ISFSI Aging Management major project is
14 scheduled to be reviewed in the 2027 NDCTP.³³ For this reason, it is improper to review this
15 cost until the 2027 NDCTP.

³² At the SONGS Community Engagement Panel on October 20, 2022, Nina Babiarz of Public Watchdogs asked whether the recommendations in the LPI Inc Consulting Engineering review were implemented by SCE. Jerry Stephenson of SCE responded that all the recommendations were implemented. Link: <https://www.songscommunity.com/community-engagement/meetings/regular-meeting-on-spent-fuel-storage-defense-in-depth> at 2:10:30.

³³ Ex. SCE-SDGE-01 at Appendix C-1.

1 **IV. RECOMMENDED REDUCTIONS TO THE DCE SHOULD BE REJECTED (C.**
2 **LADD)**

3 SDG&E is not providing rebuttal testimony for all the intervenor’s recommended
4 reductions to the DCE. SDG&E has reviewed SCE’s rebuttal testimony³⁴ and supports the
5 positions taken by SCE.

6 **A. SONGS 1 DCE FOR SONGS 1 OFFSHORE CONDUIT REMOVAL**
7 **REMAINS NECESSARY**

8 TURN requests that the CPUC remove the \$34.1 million (2014\$) in the SONGS 1 DCE
9 for full removal of the offshore conduits and direct SCE to assume for purposes of the DCE that
10 the existing conduits will remain in place and not be fully removed.³⁵

11 During the 2018 NDCTP the CPUC found that the conduit removal costs represent a
12 valid liability, and that SCE has justified the inclusion of conduit removal costs for SONGS 1 in
13 the DCE and has therefore declined to disallow these costs.³⁶

14 Even though the California States Lands Commission (“CSLC”) has allowed SONGS 1
15 intake and discharge conduits to remain in place for the time being, the current lease³⁷ does not
16 release SCE and SDG&E from the liability from removing these structures at some time in the
17 future. Until such a time that there is an agreement between SCE, SDG&E and the CSLC that
18 provides for a release of liability, SCE and SDG&E remain liable in perpetuity for the costs
19 associated with full removal of the conduits. Therefore, it is appropriate to include the estimated

³⁴ Ex. SCE-09.

³⁵ Ex. TURN-1 at 12.

³⁶ D. 21-12-026 at 27-29.

³⁷ SONGS 1 Lease 3183 extension filed in Application No. 22-02-016 on September 22, 2022.

1 conduit removal costs and the conduit removal cost line items should be retained in the SONGS
2 DCE.

3 **B. SONGS 2&3 DCE FOR SONGS 2&3 OFFSHORE CONDUIT REMOVAL**
4 **REMAINS NECESSARY**

5 TURN's testimony states that SCE prefers to leave the SONGS Unit 2&3 conduits in
6 place and is allowed by the lease to leave the conduits in place, an outcome fully supported by
7 the findings of the Environmental Impact Report ("EIR") approved by the CSLC. They
8 additionally state that SCE has presented no new studies to support its assumptions that conduit
9 removal will be required, no changes in the existing lease, and no expectations of changes or
10 challenges to the EIR and that therefore, \$91.8 million (2014\$) should be removed from the DCE
11 estimate.³⁸

12 During the 2018 NDCTP the CPUC concluded that the Utilities have justified including
13 in the DCE \$91.6 million of conduit removal cost for SONGS 2&3.³⁹

14 No new studies to support conduit removal assumptions are required. The current lease
15 still has a provision that requires the lessees to retain the liability for removing all offshore
16 conduit structures, including the below-seabed structures.⁴⁰ Until the time when a negotiated
17 settlement between co-owners and the CSLC removes this removal requirement it is reasonable,
18 necessary, and appropriate to maintain the DCE amount for full removal of Unit 2&3 intake and
19 discharge conduits. The purpose of the DCE is to identify and document all reasonable known
20 decommissioning costs. The scope of work to remove the SONGS Unit 2&3 offshore conduits

³⁸ Ex. TURN-1 at 18-20.

³⁹ D. 21-12-026 at 30-31.

⁴⁰ State of California State Lands Commission, "Lease No. PRC 6785.1," March 21, 2019.

1 remains unchanged. It is appropriate to include the estimated conduit removal costs and
2 therefore the conduit removal cost line items should be retained in the Unit 2&3 DCE.

3 **C. FORECASTED AMOUNT FOR DRAINAGE DISSIPATORS REMOVAL**
4 **SHOULD REMAIN IN DCE**

5 Cal Advocates recommends a re-evaluation of the removal of two drainage dissipators
6 closer to the 2050 determination date from the Department of the Navy.⁴¹

7 The purpose of the DCE is to identify and document all reasonable known costs.
8 Removal of the two drainage dissipators remains in the scope of work. It is appropriate to
9 include the associated dissipator removal costs in the DCE until such a time that a final
10 determination is made by the Department of the Navy that the removal of dissipators is not
11 required.

12 **D. FORECASTED AMOUNT FOR NAVY REMEDIATION COSTS SHOULD**
13 **REMAIN IN DCE**

14 TURN states that SCE proposes to include costs in the DCE for total remediation of the
15 land SONGS 2&3 rests on and to include 100% of the estimated cost of full remediation, plus a
16 contingency. TURN does not support assuming the maximum amount that might be required 30
17 years in advance. Due to the uncertainty of the need for the funds, TURN recommends
18 removing 50% of the forecast cost and related contingency from the SONGS 2&3 DCE.⁴²

19 The purpose of the DCE is to identify and document all reasonable known costs including
20 both near term costs and more distant future costs. Site remediation costs should remain in the
21 DCE for full site remediation. A final end state determination has not been made and will not
22 occur until after the National Environmental Policy Act process has been completed. It is

⁴¹ Cal Advocates Testimony at 6.

⁴² Ex. TURN-1 at 20-21.

1 appropriate to include any portion of future site remediation costs unless and until the final end
2 state determination has been made.

3 **V. OTHER INTERVENOR RECOMMENDATIONS SHOULD BE DENIED (S.**
4 **GARCIA)**

5 **A. SONGS 1 REACTOR PRESSURE VESSEL CLOSEOUT COSTS WILL BE**
6 **REVIEWED IN THE 2024 NDCTP**

7 TURN requests that the Commission direct SCE and SDG&E to provide all
8 documentation regarding the additional project closeout costs for SONGS 1 reactor pressure
9 vessel transportation and disposal.⁴³ However, no additional direction needs to be provided by
10 the Commission, as all costs related to the SONGS 1 reactor pressure vessel transportation and
11 disposal are scheduled to be reviewed in the 2024 NDCTP per the Decommissioning
12 Reasonableness Framework.⁴⁴ In that NDCTP, testimony will be provided by SCE and SDG&E
13 to support the reasonableness of those decommissioning expenditures related to the reactor
14 pressure vessel transportation and disposal project.

15 **B. ADDITIONAL FORENSIC ANALYSIS IS NOT NEEDED**

16 Public Watchdogs states that a forensic analysis has been performed on one
17 decommissioning cost spreadsheet and that the analysis suggests that the expenses shown are an
18 accurate portrayal of actual costs for decommissioning at SONGS. Public Watchdogs further
19 states that it intends “to take its analysis further by scrutinizing all three years of spreadsheets
20 and by focusing on specific sections of the spreadsheets for unusual numbers.”⁴⁵

⁴³ Ex. TURN-1 at 35-36.

⁴⁴ Ex. SCE-SDGE-01 at Appendix C-1.

⁴⁵ Public Watchdogs Testimony at 5.

1 SDG&E points out that Public Watchdogs should have completed this analysis prior to
2 filing the intervenor testimony to allow the Utilities an opportunity to review the analysis and
3 provide any intervenor testimony if needed.

4 **C. DEEPER MORE GRANULAR INVESTIGATION IS NOT NEEDED**

5 Public Watchdogs recommends that “[g]iven the unusual disparity between the SONGS
6 DTF [decommissioning trust fund] and the DTFs of other nuclear power plants, and the sheer
7 size of the SONGS DTF (\$4.7 billion), Public Watchdogs recommends a deeper, more granular
8 investigation of the decommissioning costs at SONGS.”⁴⁶ Public Watchdogs arguments for
9 doing so are flawed, leading to SDG&E’s recommendation that this investigation is not needed.

10 **1. Information Presented by Public Watchdogs is Inaccurate and**
11 **Inconsistent, and Does Not Support Their Argument of a Large**
12 **Disparity Between SONGS DTFs and the DTFs of Other Retired**
13 **Nuclear Units**

14 Public Watchdogs’ attempt at a comparison between the SONGS decommissioning trust
15 fund (“DTF”) and the DTFs of other decommissioning nuclear power plants is inaccurate. In
16 Public Watchdogs’ testimony, two tables are provided titled “Nuclear Decommissioning Trust
17 Fund Comparison”⁴⁷ and “DTF Funds per Megawatt of Generation Capacity”⁴⁸. Although a
18 column header in each of the tables is labeled “Trust Fund Values”, Public Watchdogs is not
19 using DTF values, but rather the publicly reported DCE values for some of the facilities.
20 Assuming Public Watchdogs was attempting to compare DCEs and not DTFs as they stated in
21 their table headings, their inaccurate selection of random DCE values has largely overstated the
22 disparities between the SONGS DCE and the DCE amounts of the other facilities.

⁴⁶ Public Watchdogs Testimony at 11.

⁴⁷ Public Watchdogs Testimony at 1.

⁴⁸ Public Watchdogs Testimony at 5.

1 Public Watchdogs included in these tables, the DCE for decommissioning SONGS 2&3 –
2 not the total DTF as indicated by the table header.

3 For the Indian Point facility, Public Watchdogs does not provide the total DTFs for
4 Indian Point as reported in the Post Shutdown Decommissioning Activities Report (“PSDAR”)
5 dated December 2019.⁴⁹ Instead, it appears Public Watchdogs was trying to report the Indian
6 Point DCE. However, even if Public Watchdogs was trying to state the total DCE instead of the
7 total DTFs for Indian Point, it failed to do so; they understated the total cost for
8 decommissioning Indian Point because only the DCE value for Indian Point Unit 3 was included
9 instead of the DCE values for all three units.⁵⁰ Had Public Watchdogs included the costs for
10 decommissioning the other units at Indian Point, the disparity in DCEs between SONGS and
11 Indian Point would have been far smaller.

12 Another example of Public Watchdogs’ flawed analysis is found in the DTF value of
13 \$480.4 million report for Palisades. The value reported by Public Watchdogs is not the DTF nor
14 the DCE. Public Watchdogs has instead erroneously reported NRC’s Minimum Funding
15 Assurance requirements as of December 31, 2018, for decommissioning Palisades and called that
16 amount the DTF.⁵¹ The NRC Minimum Funding Assurance requirement does not include costs
17 for spent fuel management and site restoration and cannot therefore be directly compared to the
18 SONGS DCE value.

⁴⁹ Indian Point Nuclear Generating Units 1, 2 and 3 PSDAR (“Indian Point PSDAR”) dated December 19, 2019, NRC Accession Number ML19354A698.

⁵⁰ Indian Point Unit 1, Unit 2 and Unit 3 DCE values are \$598,183,896, \$701,821,634, and \$1,002,378,076, per Indian Point PSDAR at 71, 74, 77.

⁵¹ Decommissioning Funding Status Report per 10 CFR 50.75(f)(1) and 10 CFR 50.82(a)(8)(v) – Entergy Nuclear Operations, Inc., dated March 28, 2019, NRC Accession Number ML19087A318 at Attachment 9 page 1.

1 Lastly, the value reported for Oyster Creek was not a DCE so it does not match other
2 DCEs in the Public Watchdog tables. The value reported for Oyster Creek is an end-of-year
3 2018 DTF value reported by Exelon.⁵² In summary, the value reported by Public Watchdogs for
4 Oyster Creek is a DTF value, while the values reported for Indian Point, Palisades and SONGS
5 are DCE values.

6 **2. Public Watchdogs Does Not Consistently Apply the Same**
7 **Measurement Units When Attempting to Show Decommissioning**
8 **Costs per MW for SONGS are Excessive**

9 Public Watchdogs’ testimony does not use a consistent megawatt (“MW”) capacity for all
10 the facilities in their analyses. For example, for Oyster Creek the MW capacity is overstated
11 using thermal capacity (megawatts thermal “MWt”) instead of generator capacity (megawatts
12 electric “MWe”).⁵³ This error results in Public Watchdogs calculation of the Decommissioning
13 Funds Per MW of Generation being severely underestimated for Oyster Creek.

14 **3. Public Watchdogs Failed to Appropriately Consider the Net Cost of**
15 **Decommissioning to the Ratepayers**

16 Public Watchdogs failed to do a proper decommissioning cost comparison between
17 facilities because they did not look at the net cost of decommissioning to ratepayers. For
18 example, in order to calculate a net cost of decommissioning for SONGS, estimates for DOE
19 reimbursements and trust fund residuals that will be returned to rate payers should be subtracted
20 from the total DCE. This is vastly different than the other facilities that Public Watchdogs used
21 as comparison. For the other facilities, Holtec is performing the decommissioning and will keep

⁵² Exelon Generation Report on Status of Decommissioning Funding for Reactors and Independent Spent Fuel Storage Installations, date April 1, 2019, NRC Accession Number ML19091A140 at Attachment 21 page 4.

⁵³ Oyster Creek Nuclear Generating Station, Revised PSDAR dated September 28, 2018, NRC Accession Number ML18275A116 at 2.

1 any and all DOE reimbursements and any trust fund residuals; so, the net cost of
2 decommissioning would be the DCE value. For SONGS, the DOE reimbursements are expected
3 to be substantial, reducing the net cost to SONGS ratepayers by a significant fraction from the
4 total published DCE cost. Without these considerations, Public Watchdogs vastly overestimated
5 the Decommissioning Cost per MW in their analyses.

6 **4. Public Watchdogs Failed to Consider the Decommissioning Scenarios**
7 **and Local Regulatory Impacts on Decommissioning Costs to be**
8 **Incurred by SONGS but not Incurred by Others in their Analyses**

9 For their analyses, Public Watchdogs did not select plants where decommissioning will
10 be performed in a similar manner to SONGS. For example, at, Palisades, the trust fund is short
11 of funds, and that facility will be entering a decommissioning dormancy period from 2025 to
12 2035 until the trust fund has sufficiently grown.⁵⁴ This is different than SONGS because a
13 DECON (prompt decommissioning) methodology is being used at SONGS. Allowing the DTF
14 to grow before radiological decommissioning is performed results in a cost to decommission,
15 higher than the base year cost published in their DCE. Without recognizing this future cost
16 impact, a direct comparison between Palisades decommissioning costs and SONGS
17 decommissioning costs cannot be made.

18 None of the three units Public Watchdogs attempted to compare, have state requirements
19 to ship all waste generated at their site out of state, regardless of its radiological status. In
20 addition, none of the three units used for comparison are subject to state coastal commission
21 requirements to completely remove offshore conduit structures.

⁵⁴ Palisades Nuclear Plant PSDAR dated December 23, 2020, NRC Accession Number ML20358A232, Enclosure 1 at 45-46.

1 **5. The Commission Already Has a Robust Process for Reviewing**
2 **California Nuclear Plant Decommissioning Costs and Additional**
3 **Review Process Proposed by Public Watchdogs are Unlikely to**
4 **Further Inform and Better Protect Ratepayer Interests**

5 Finally, decommissioning costs are reviewed by the Commission in the triennial NDCTP.
6 As provided for in the California Nuclear Facility Decommissioning Act of 1985⁵⁵ and
7 Commission precedent, the objectives of the NDCTPs are to set the annual requirements for the
8 decommissioning trusts for the nuclear power plants owned by the Utilities, including review of
9 the DCEs and financial assumptions for reasonableness, and to determine whether the expenses
10 incurred by the Utilities for decommissioning activities are reasonable and prudent. SDG&E
11 maintains that the Commission does not need to stray from the precedent of the NDCTP
12 proceedings and order any additional investigation of decommissioning costs.

13 This concludes our prepared direct testimony.

⁵⁵ CPUC Section 8321, et seq.