

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

Application of Southern California Edison)	
Company (U 338-E) to Recover O&M Costs)	Application 11-04-006
Associated with the San Onofre Nuclear)	Filed April 15, 2011
Generating Station Units Nos. 2 and 3 On-going)	
Seismic Program, and New Seismic Research)	
<u>Projects and Analyses)</u>	
Application of San Diego Gas & Electric)	
Company (U 902-E) to Recover Certain Costs of)	Application 11-05-011
Seismic And Tsunami Studies for the San Onofre)	Filed May 9, 2011
<u>Nuclear Generating Station Unit Nos. 2 and 3)</u>	

OPENING BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)

DOUGLAS K. PORTER
GLORIA ING
WALKER A. MATTHEWS III

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone:(626) 302-6879
Facsimile: (626) 302-3990
E-mail: walker.matthews@sce.com

Dated: **December 5, 2011**

OPENING BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)

Table Of Contents

	Section	Page
1.	INTRODUCTION	2
1.1	Summary of Argument	2
1.2	Regulatory Basis For Request.....	3
1.3	SONGS 2 & 3 Seismic History.....	4
1.4	Description Of SONGS 2 & 3 Seismic Activities	4
1.4.1	SONGS 2 & 3 New Seismic Research Projects.....	5
1.4.2	SONGS Specific Analyses.....	7
1.4.3	SONGS 2 & 3 On-going Seismic Program.....	7
1.4.4	Project Management	8
1.4.5	Cost Estimate	9
1.5	Scoping Memo Issues	9
2.	ARGUMENT	10
2.1	Reasonableness Of Scope And Costs	10
2.1.1	Third-Party Review Of The Study Scope And Costs	10
2.1.2	The SONGS 2 & 3 Seismic Activities Fulfill The CEC’s Recommendations And Commission’s Specific Direction And Support Anticipated NRC Requirements.....	10
2.1.3	SCE Has Committed Sufficient Resources To Plan The Seismic Activities And Third Party Agencies Have Preliminarily Assessed That The Scope Is Appropriate	12
2.2	IPRP And IPRP Costs.....	15
2.2.1	The IPRP’s Role Should Be Clearly Defined	15
2.2.2	SCE’s Recommendations.....	16
2.2.3	IPRP Costs	19

OPENING BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)

Table Of Contents (Continued)

Section		Page
2.3	Cost Cap.....	20
2.3.1	A Cost Cap Is Inappropriate	20
2.4	Utility Shareholder Funding of Costs	22
2.4.1	DRA’s Recommendation Is Inconsistent With Established Cost-of- Service Ratemaking Principles	22
2.4.2	DRA’s Argument That There Are Shareholder Benefits Is Flawed	23
2.5	Tier 3 Advice Letter.....	26
2.6	Balancing Account.....	28
3.	CONCLUSION.....	29
Appendix A		

TABLE OF AUTHORITIES

Federal Authority

Code of Federal Regulations

10 CFR §54.....	24
-----------------	----

State Authority

California Resources Code

§25303.....	3
-------------	---

California Code of Regulations

Title 20, California Code of Regulations, Rule 13.11	1
---	---

California Public Utilities Commission Decisions

D.10-08-003	16, 17, 18
D.04-07-022	22, 23

California Legislation

AB 1632	3
---------------	---

Miscellaneous

An Assessment of California’s Nuclear Power Plants: AB1632 Report (CEC 2008).....	passim
--	--------

Summary of Recommendations

The Commission should issue a decision approving A.11-04-006 and A.11-05-011 as follows:

- Authorizing SCE to proceed with the SONGS 2 & 3 seismic activities described in A.11-04-006 as recommended by the California Energy Commission in its AB 1632 report and directed by the California Public Utilities Commission.
- Approving SCE's cost estimate of \$64 million (nominal \$, 100% level) for the SONGS 2 & 3 seismic activities as reasonable.
- Authorizing SCE and SDG&E to recover their respective share of the costs of the SONGS 2 & 3 seismic activities, and approving SCE's and SDG&E's respective ratemaking proposals.
- Authorizing SCE and SDG&E to file a Tier 3 Advice Letter to request additional costs that may be needed to perform the SONGS 2 & 3 seismic activities.
- Denying DRA's proposals for a cost cap and 90/10 cost sharing mechanism between customers and utility shareholders for the costs of the SONGS 2 & 3 seismic activities.

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

Application of Southern California Edison Company (U 338-E) to Recover O&M Costs Associated with the San Onofre Nuclear Generating Station Units Nos. 2 and 3 On-going Seismic Program, and New Seismic Research Projects and Analyses)	Application 11-04-006 Filed April 15, 2011
Application of San Diego Gas & Electric Company (U 902-E) to Recover Certain Costs of Seismic And Tsunami Studies for the San Onofre Nuclear Generating Station Unit Nos. 2 and 3)	Application 11-05-011 Filed May 9, 2011

OPENING BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)

Pursuant to Rule 13.11 of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure,¹ Southern California Edison Company (SCE) respectfully submits this opening brief in support of SCE’s Application (A.) 11-04-006, which requests authority to recover O&M costs associated with the San Onofre Nuclear Generating Station Unit Nos. 2 and 3 (SONGS 2 & 3) on-going seismic program, and new seismic research projects and analyses (collectively referred to as SONGS 2 & 3 seismic activities).² SCE also supports San Diego Gas & Electric Company’s (SDG&E) A.11-05-011, which requests SDG&E’s share of these costs.

¹ The opening brief also complies with the briefing schedule set by the Assigned Commissioner’s Scoping Memo and Ruling (Scoping Memo) dated October 10, 2011, and Administrative Law Judge (ALJ) Barnett’s instructions provided at the conclusion of the November 8-9 evidentiary hearing for the above-captioned proceeding.

² The SONGS 2 & 3 seismic activities include (1) new seismic research projects, (2) SONGS specific analyses, and (3) the SONGS 2 & 3 on-going seismic program. Exhibit SCE-1, pp. 8-21.

1. INTRODUCTION

1.1 Summary of Argument

SCE requests that the Commission approve SCE's cost estimate of \$64 million (nominal \$, 100% level) for the SONGS 2 & 3 seismic activities described in A.11-04-006. SCE also requests that the Commission authorize SCE to recover up to \$50.1 million (SCE's share) of the costs. It is important to note that all parties in this proceeding have indicated that they support the SONGS 2 & 3 seismic activities.³ Intervenors Division of Ratepayer Advocates (DRA) and the Alliance for Nuclear Responsibility (A4NR) offer various recommendations, but these recommendations pertain only to independent peer review, and a proposed sharing of costs and cost cap. In particular, A4NR recommends that the Commission establish an independent peer review panel (IPRP). DRA recommends a 90/10 cost-sharing mechanism between customers and utility shareholders, and a cost cap. SCE will address these specific recommendations in this opening brief.

SCE acknowledges that the Commission may establish an IPRP. If the Commission does this, the Commission should clearly define the IPRP's role in a way that ensures that the IPRP focuses its efforts on reviewing and commenting on the new seismic research projects for SONGS 2 & 3. The IPRP should not delay the progress of the projects.

In addition, the Commission should not adopt DRA's cost-sharing or cost-cap recommendations. DRA's cost-sharing proposal is inconsistent with well-established cost-of-service ratemaking principles. SONGS 2 & 3 is operated under cost-of-service ratemaking. Furthermore, the SONGS 2 & 3 seismic activities will provide information regarding SONGS 2 & 3 safety and reliability for the direct benefit of ratepayers. Given this ratepayer benefit, it is appropriate for ratepayers to bear all of the costs of these activities. Moreover, DRA's cost-cap proposal ignores the

³ Exhibit DRA-4, p. 1; Exhibit ANR-14, p. 2; Exhibit SDG&E-MLD-1, p. MLD-10.

inherent uncertainty in performing the SONGS 2 & 3 seismic activities and the potential developments that may reasonably occur and require additional scope. The Commission should authorize SCE to file Tier 3 advice letters to request additional funding that may be necessary for work that is unforeseeable at this time, but is later determined to be necessary and prudent.

In sum, SCE has sufficiently demonstrated that the scope and costs of the SONGS 2 & 3 seismic activities are reasonable. Accordingly, the Commission should approve SCE's application.

1.2 Regulatory Basis For Request

In November, 2008, the CEC issued its AB 1632 Report in response to Assembly Bill (AB) 1632, which directed the CEC to "assess the potential vulnerability of California's largest baseload power plants, [including SONGS 2 & 3], to a major disruption following a seismic event . . ." ⁴ The AB 1632 Report provides a number of recommendations directed to SCE, including the following: ⁵

- SCE should develop an active seismic hazards research program for SONGS similar to PG&E's LTSP to assess whether there are sufficient design margins at the nuclear plant to avoid major power disruptions. The research program should prioritize and include further investigations into the seismic setting at SONGS and should assess whether recent or current seismic, geologic, or ground motion research in the vicinity of SONGS has implications for the long-term seismic vulnerability of the plant. As part of the Energy Commission's future IEPR assessments, beginning with the 2009 IEPR, SCE should report to the Energy Commission on the results of its seismic research efforts.
- The Energy Commission recommends that SCE should use three-dimensional seismic reflection mapping, other techniques, and a permanent GPS array for resolving seismic uncertainties for SONGS. SCE should report on their progress and their most recent seismic vulnerability assessment for SONGS in the 2009 IEPR. Given the potential for an extended plant shutdown following a major seismic event, the Energy Commission, in consultation with appropriate state agencies, should evaluate whether these studies should be required as part of the SONGS license renewal feasibility assessments for the CPUC.

⁴ AB 1632 Report, p. 1; Cal. Pub. Resources Code § 25303.

⁵ Exhibit ANR-10 (excerpts from CEC's AB 1632 Report), p. 9. A complete copy of this report is also posted on the CEC's website at <http://www.energy.ca.gov/2008publications/CEC-100-2008-009/CEC-100-2008-009-CMF.PDF>.

Subsequently, on June 25, 2009, Commission President Peevey directed SCE to respond to the CEC's recommendations.⁶

1.3 SONGS 2 & 3 Seismic History

As explained in SCE's testimony, prior to the issuance of the operating licenses for SONGS 2 & 3, the seismic environment for the plant was thoroughly studied, as required by NRC licensing regulations.⁷ The geotechnical studies completed for SONGS 2 & 3 included conducting two-dimensional (2D) seismic reflection surveys, geologic borings, gravity and magnetic surveys, and the evaluations of past earthquakes in the southern California region.⁸ These studies provided the basis for the seismic design of SONGS 2 & 3.⁹ Throughout the operating history of SONGS 2 & 3, SCE has periodically evaluated new seismic information and updated the seismic analysis for SONGS 2 & 3 as required by the NRC, including completing probabilistic seismic hazard analysis (PSHA) and probabilistic risk assessment (PRA) model in 1995 and a subsequent PSHA review in 2001.¹⁰ These types of SONGS specific seismic hazard analyses and risk assessments are part of the NRC's current and on-going jurisdiction over seismic issues.¹¹

1.4 Description Of SONGS 2 & 3 Seismic Activities

SCE requests funding in this proceeding for the following SONGS 2 & 3 seismic activities: (1) new seismic research projects, (2) SONGS specific analyses, and (3) the SONGS 2 & 3 on-going seismic program. SCE describes these activities in further detail below.

⁶ Exhibit SDG&E-X4.

⁷ Exhibit SCE-1, p. 3.

⁸ Exhibit SCE-1, p. 3.

⁹ Exhibit SCE-1, p. 3.

¹⁰ Exhibit SCE-1, p. 3.

1.4.1 SONGS 2 & 3 New Seismic Research Projects

As explained in SCE's testimony, the SONGS 2 & 3 new seismic research projects include source characterization projects and tsunami studies.

Source Characterization Projects

The source characterization projects will include the following: (1) USGS source fault studies, (2) geophysical data re-analysis, (3) Global Positioning System (GPS) array, (4) shallow marine surveys, (5) deep 2D/3D marine seismic reflection mapping, (6) onshore studies, (7) seismic monitoring, (8) USGS monitoring, and (9) an update source model.¹² These project components specifically fulfill the CEC's recommendation and Commission's direction that "... SCE should use three-dimensional seismic reflection mapping, other techniques, and a permanent GPS array for resolving seismic uncertainties for SONGS."¹³

In particular, the GPS array will be configured to target areas near SONGS 2 & 3.¹⁴ These arrays will improve understanding of slip-rate and activity of the faults that represent the most significant source of seismic hazard to SONGS 2 & 3.¹⁵ SCE will also perform both two- and three-dimensional (2D/3D) shallow and deep seismic reflection surveys.¹⁶ The 2D/3D shallow geophysical seismic reflection surveys will produce a picture of the layering and structure of the soil

Continued from the previous page

¹¹ Exhibit SCE-3, p. 8. The process for completing a PSHA, for example, is provided by the NRC in guidance documents such as NUREG/CR-6632 and NUREG/CR 6607.

¹² Exhibit SCE-1, pp. 10-17.

¹³ Exhibit ANR-10 (excerpts from CEC's AB 1632 Report), p. 9.

¹⁴ Exhibit SCE-1, p. 11.

¹⁵ Exhibit SCE-1, p. 12.

¹⁶ Exhibit SCE-1, pp. 12-16.

and rock below the seafloor.¹⁷ The result of these surveys will be used to develop interpretations of the underlying geologic structure (i.e., layers, folds, and faults).¹⁸

Due to the large energy requirements for the deep penetrating seismic sources, the 2D/3D deep reflection surveys will require a rigorous EIR supported federal and state environmental permits that may be extremely difficult to obtain and will likely involve a two-year process to determine if permitting is feasible.¹⁹ Accordingly, SCE's plans for 2D/3D deep reflection surveys involve two phases of work.²⁰ First, SCE will seek to obtain state and federal EIR permits prior to the start of the deep reflection surveys.²¹ Second, once SCE has the necessary permits, 2D/3D deep reflection surveys will be performed, processed, and interpreted.²² If feasible, the permitting time and the 2D/3D deep reflection surveys, will take a total of about four years to perform.²³

Tsunami Studies

SCE will perform additional tsunami studies as appropriate to update the tsunami hazard analysis for the SONGS site.²⁴ The seismic data from the source characterization projects may be used in the tsunami studies.

¹⁷ Exhibit SCE-1, p. 13.

¹⁸ Exhibit SCE-1, p. 13.

¹⁹ Exhibit SCE-1, pp. 14-15.

²⁰ Exhibit SCE-1, p. 15.

²¹ Exhibit SCE-1, p. 15.

²² Exhibit SCE-1, p. 15.

²³ Exhibit SCE-1, p. 16.

²⁴ Exhibit SCE-1, pp. 19-20.

1.4.2 SONGS Specific Analyses

In addition to the new seismic research projects described above, SCE will conduct SONGS specific analyses, including ground motion work focused on developing ground attenuation information with data specific to the SONGS setting.²⁵ This work will involve developing seismic hazard curves, characterizing the SONGS site, and performing site-specific response analysis.²⁶ The SONGS specific analyses also will include an update of the PRA model for SONGS.²⁷ The PRA model, which includes seismic risk analysis, is a comprehensive computerized model of the plant systems and components as well as operator actions that are required to mitigate accidents caused by internal and external initiating events, such as a seismic event.²⁸ In addition, the SONGS specific analyses will include probabilistic seismic response analysis, seismic fragility analysis, and review of Fukushima Daiichi lessons learned to determine the lessons that are applicable to SONGS.²⁹

1.4.3 SONGS 2 & 3 On-going Seismic Program

To fulfill the CEC's recommendation and Commission's direction to establish an active seismic hazards research program, SCE established a SONGS 2 & 3 on-going seismic program.³⁰ As described in SCE's testimony, the program establishes (i) set frequencies for the on-going SONGS seismic hazard review and possible seismic setting hazard analysis updates, and (ii) a panel of seismic experts to review SONGS seismic information and recommend the use of new seismic

²⁵ Exhibit SCE-1, p. 17.

²⁶ Exhibit SCE-1, pp. 17-19.

²⁷ Exhibit SCE-1, p. 20.

²⁸ Exhibit SCE-1, p. 20.

²⁹ Exhibit SCE-1, p. 21

³⁰ This program is sometimes referred to as the Seismic Hazard Analysis Program (SHAP). Exhibit SCE-1, p. 8, n. 11.

information or additional research into the SONGS seismic setting.³¹ The SONGS 2 & 3 on-going seismic program will review new credible seismic information that could affect the seismic risk to the plant site.³² The reviews will be conducted internally by SCE's seismic engineers and by external groups, such as the SONGS Seismic Technical Advisory Board (STAB) or through other activities such as seismic source characterization workshops.³³ The STAB, which is comprised of industry experts and academic professionals from California state universities, will meet at least annually to identify new credible seismic information, evaluate the conclusions of SONGS' seismic updates, and as necessary, may recommend areas for further seismic investigation.³⁴ To facilitate discussion among experts, SCE will hold seismic source characterization workshops to allow them to discuss their respective positions.³⁵

1.4.4 Project Management

SCE will have a seismic project team that will manage the seismic activities described in SCE's testimony, including (1) planning and coordinating interactions with SCE staff, management, and consultants, (2) controlling expenditures for labor, materials, and contract costs, and (3) ensuring consultants comply with contract requirements.³⁶

³¹ Exhibit SCE-1, p. 8.

³² Exhibit SCE-1, p. 8.

³³ Exhibit SCE-1, pp. 8-9.

³⁴ Exhibit SCE-1, p. 9; Exhibit SCE-3, p. 8.

³⁵ Exhibit SCE-1, pp. 9-10.

³⁶ Exhibit SCE-1, pp. 21-22.

1.4.5 Cost Estimate

SCE's cost estimate for the SONGS 2 & 3 seismic activities is \$64.0 million (nominal \$, 100% level):³⁷

Activity	Cost Estimate
Seismic Research Projects	\$53.6 million
SONGS Specific Analysis	\$2.3 million
On-going Seismic Program	\$4.4 million
Project Management	\$3.7 million
Total	\$64.0 million

SCE's share of these costs is \$50.1 million.³⁸

1.5 Scoping Memo Issues

On October 10, 2011, the Assigned Commissioner, Michel Peter Florio, issued the Scoping Memo for this proceeding, which identified the following issues:³⁹

1. The scope of the seismic and tsunami studies identified by the applicants.
2. The costs of the studies; and whether they should be capped.
3. Whether shareholders of the utilities will bear a share of the costs.
4. Whether a balancing account should be approved.

³⁷ Exhibit SCE-1, pp. 22-23.

³⁸ Exhibit SCE-1, p. 2.

³⁹ October 10, 2011 Scoping Memo for A.11-04-006 and A.11-05-011.

5. Whether outside experts should be retained to review to review the planned studies and their costs.
6. Whether an Independent Peer Review Panel (IPRP) should be authorized and financed.

Pursuant to the common briefing outline approved by ALJ Barnett, SCE addresses these issues and the intervenors' arguments in Section 2 below.

2. ARGUMENT

2.1 Reasonableness Of Scope And Costs

2.1.1 Third-Party Review Of The Study Scope And Costs

As noted above, the Scoping Memo poses as an issue “whether outside experts should be retained to review the planned studies and their costs.”⁴⁰ This third-party review is not necessary. As explained in detail below, SCE has sufficiently demonstrated in this proceeding that the scope and costs of the proposed SONGS 2 & 3 seismic activities are reasonable for the following reasons:

- The activities fulfill state regulatory objectives regarding assessing SONGS 2 & 3 seismic conditions.
- SCE has committed sufficient resources to properly plan the scope and costs of the activities.
- DRA has reviewed information regarding the activities and concluded that the activities fulfill the CEC's AB 1632 Report recommendations.

2.1.2 The SONGS 2 & 3 Seismic Activities Fulfill The CEC's Recommendations And Commission's Specific Direction And Support Anticipated NRC Requirements

The scope and costs of the SONGS 2 & 3 seismic activities are reasonable, given that the planned activities respond to and fulfill the CEC's AB 1632 Report recommendations, which provide that SCE should (1) “develop an active seismic hazards research program for SONGS,” and

(2) “SCE should use three-dimensional seismic reflection mapping, other techniques, and a permanent GPS array for resolving seismic uncertainties for SONGS.”⁴¹ DRA suggested that the CEC’s recommendations do not constitute a regulatory requirement or mandate.⁴² But DRA’s reasoning is wholly inconsistent with the direction provided by this Commission for SCE to implement these two recommendations.⁴³

Specifically, the SONGS 2 & 3 on-going seismic program will provide an active seismic hazard research program for SONGS 2 & 3 as recommended by the CEC. As noted above, this program will establish a regular, on-going review of SONGS 2 & 3 seismic setting and seismic hazard analysis, including reviewing new seismic information and assessing the need for additional seismic research for SONGS 2 & 3.⁴⁴ In addition, a key component of the new seismic research projects for SONGS 2 & 3 involves source characterization projects that will include the use of GPS arrays, and 2D/3D shallow and deep reflection mapping, also consistent with the CEC’s specific recommendations.⁴⁵ Further, the new seismic research projects will utilize other established techniques, as recommended by the CEC. These techniques, for example, will include core sampling and trenching, sea floor sediment sampling and age dating, bathymetry surveys, and seismograph monitoring.⁴⁶ Finally, SCE will seek to obtain information from the USGS and their efforts in the Southern California Earthquake Center (SCEC) and the Working Group on California

Continued from the previous page

⁴⁰ October 10, 2011 Scoping Memo for A.11-04-006 and A.11-05-011, Issue No. 5.

⁴¹ Exhibit ANR-10 (excerpts from CEC’s AB 1632 Report), p. 9.

⁴² Exhibit DRA-4 (DRA Report), p. 7.

⁴³ Exhibit SCE-3, p. 3.

⁴⁴ Exhibit SCE-1, p. 8.

⁴⁵ Exhibit SCE-1, pp. 11-16.

⁴⁶ Exhibit SCE-1, pp. 10-12, 16-17.

Earthquake Probabilities (WGCEP) upcoming UCERF 3 project regarding the most recent studies offshore southern California.⁴⁷ It is abundantly evident that each of these source-characterization project components also fulfills the CEC's recommendation and Commission's direction for SCE to perform "further investigations into the seismic setting at SONGS [to] assess whether recent or current seismic, geologic, or ground motion research in the vicinity of SONGS has implications for the long-term seismic vulnerability of the plant."⁴⁸ The SONGS specific analysis, which includes ground motion work, also is consistent with this recommendation.

In addition, SCE expects that the new seismic research projects should provide sufficient information for SCE to respond to the NRC's requirements for seismic hazard and risk analysis contained in NRC Generic Letter 2011-XX.⁴⁹ SCE witness Mark Nelson estimated that the public comment period for this generic letter closes at the end of this year, and that SCE expects that the NRC may issue the final generic letter by the middle of next year, 2012.⁵⁰

In sum, the SONGS 2 & 3 seismic activities will provide information necessary to meet state regulatory objectives identified above. Consequently, the Commission should determine that the scope and costs of the activities are reasonable for these vital purposes.

2.1.3 SCE Has Committed Sufficient Resources To Plan The Seismic Activities And Third Party Agencies Have Preliminarily Assessed That The Scope Is Appropriate

Notably, no intervenor in this proceeding has argued that the scope of the SONGS 2 & 3 seismic activities fails to respond to the CEC's AB 1632 Report recommendations. A4NR has

⁴⁷ Exhibit SCE-1, p. 17.

⁴⁸ Exhibit ANR-10 (excerpts from CEC's AB 1632 Report), p. 9.

⁴⁹ Exhibit SDG&E-X3; Exhibit SCE-3, pp. 3-4.

⁵⁰ SCE, Nelson, Tr. 78, lines 1-2, 19-20.

questioned only whether there has been adequate independent oversight to determine whether the scope (which A4NR claims were “self-determined” by SCE) is consistent with the CEC’s AB 1632 Report recommendations.⁵¹ These questions are not warranted.

As noted above, the scope of the seismic activities were not “self-determined,” given that they were in large part specified in the CEC’s recommendations. SCE also committed substantial expertise and resources, including expert consultants, to develop the scope of the seismic activities to fulfill these recommendations.⁵² Further, the SONGS STAB has met to evaluate the plans for these activities.⁵³

In addition, SCE specifically sought the input of the CEC to determine the adequacy of the planned scope and direction for the activities.⁵⁴ Mr. Nelson also observed that the various state agencies and officials with an interest in SONGS 2 & 3 seismic activities have had numerous opportunities to comment on the planned scope of the activities, which is public, and that it is reasonable to conclude that these agencies and officials are satisfied with the planned scope due to the fact that no state agencies and officials have objected to SCE’s plans.⁵⁵

DRA witness Scott Logan also testified that DRA concluded that the scope of the seismic activities fulfills the CEC’s AB 1632 Report recommendations.⁵⁶ Mr. Logan explained that DRA compared the list of activities described in SCE’s testimony to the CEC’s specific recommendations,

⁵¹ Exhibit ANR-14, p. 5; Exhibit ANR-15, p. 4.

⁵² Exhibit SCE-3, p. 10.

⁵³ Exhibit SCE-3, p. 8.

⁵⁴ The CEC did not indicate any concerns. The CEC has reiterated its continued support for an IPRP, consistent with its recommendation for a peer review panel. SCE, Nelson, Tr. p. 72, lines 8-11; Exhibit SCE-7.

⁵⁵ SCE, Nelson, Tr. p. 71, lines 23-28 to p. 72, line 1.

⁵⁶ DRA, Logan, Tr. p. 163, lines 20-23.

and concluded that SCE was appropriately addressing them.⁵⁷ Acknowledging DRA's relative lack of seismic expertise, Mr. Logan further noted that the DRA assessed that SCE is properly using experts to plan the SONGS 2 & 3 seismic activities:

Well, this is the type of activity where we have to assess their plan for its reasonableness and its comprehensiveness and their use of experts. And we certainly have a lot of information from them that they are tapping into experts . . . So it's – typically when it's this type of activity, we want to ensure that the community of experts are involved . . .

And they're certainly tapping into the community.⁵⁸

⁵⁷ DRA, Logan, Tr. p. 213 lines 16-28 to p. 214, lines 1-21.

⁵⁸ DRA, Logan, Tr. p. 182, lines 14-23 and p. 183, lines 6-7.

2.2 IPRP And IPRP Costs

2.2.1 The IPRP's Role Should Be Clearly Defined

SCE acknowledges that the Commission may establish an IPRP. If one is established, the IPRP should focus its review and comments on the new seismic research projects for SONGS 2 & 3. SCE also respectfully urges the Commission to exercise its regulatory authority so as to not interfere with the NRC's exercise of its exclusive jurisdiction over SONGS 2 & 3 seismic-safety issues. In addition, the Commission should provide a structure for the IPRP that ensures that the IPRP does not unnecessarily delay the progress of the SONGS 2 & 3 seismic activities, or create regulatory uncertainty and potential instability.

As explained in SCE's testimony, the NRC has exclusive jurisdiction over the nuclear and radiological safety aspects involved in the operation of a nuclear power plant (including questions concerning safety arising from seismic issues), and has indicated its intent to exercise that jurisdiction over SONGS 2 & 3 seismic-safety issues.⁵⁹ Indeed, in NRC Generic Letter 2011-XX, the NRC provided that the "state of knowledge of seismic hazard within the United States has evolved to the point that the NRC has concluded that, in view of the potential safety significance of this issue, it is necessary to reexamine the level of conservatism in the determination of original seismic design estimates."⁶⁰ This demonstrates the NRC's intention to exercise exclusive jurisdiction to review the seismic-risk safety of nuclear plants. This significant development occurred *after* the Commission established the IPRP for the Diablo Canyon seismic studies, and it should inform the Commission's consideration regarding the scope of the IPRP's role here.

⁵⁹ Exhibit SCE-3, p. 8.

⁶⁰ Exhibit SDG&E-X3, p. 1 of 10 (emphasis added)

For the proposed SONGS 2 & 3 seismic activities described in A.11-04-006, the SONGS on-going seismic program and SONGS specific analyses involve seismic hazard and risk analysis that concern seismic-safety issues.⁶¹ To avoid interfering with the NRC’s jurisdiction over these issues, the Commission should provide that the IPRP should focus its review and comments solely on the new seismic research projects for SONGS 2 & 3.

2.2.2 SCE’s Recommendations

The decision establishing the IPRP for the Diablo Canyon seismic studies provides very few parameters regarding the IPRP’s role.⁶² If the Commission establishes an IPRP here, the Commission should adopt the following recommendations:

- Provide that the IPRP should review and comment on the specific new seismic research projects included in A.11-04-006: (1) USGS source fault studies, (2) geophysical data re-analysis, (3) Global Positioning System (GPS) array, (4) shallow marine surveys, (5) deep 2D/3D marine seismic reflection mapping, (6) onshore studies, (7) seismic monitoring, (8) USGS monitoring, and (9) an update source model.⁶³
- Provide specific time requirements for the IPRP to review of the new seismic research projects. The 30-day review period provided in D.10-08-003 for the IPRP to review is reasonable. The right-of-appeal to the Commission also is an important component in the event there is a dispute.
- Provide a structure that limits IPRP costs for ratepayers.

For the reasons discussed above, the Commission should provide that the IPRP’s role is to ensure that the new seismic research projects fulfill the CEC’s AB 1632 Report recommendation that “SCE should use three-dimensional seismic reflection mapping, other techniques, and a permanent

⁶¹ Exhibit SCE-1, pp. 8, 20-21; Exhibit SCE-3, p. 10: As noted above, the NRC has provided direction for completing a PHSA in guidance documents such as NUREG/CR-6632 and NUREG/CR-6607, indicating that these type of site-specific analyses are within the NRC’s jurisdiction over seismic-safety issues.

⁶² D.10-08-003, pp. 9-10.

⁶³ Exhibit SCE-1, pp. 10-17.

GPS array for resolving seismic uncertainties for SONGS.”⁶⁴ The Commission also should ensure that the IPRP reviews and comments on these projects so that there are no unnecessary delays that prevent SCE from timely discharging its obligations to perform the projects, and also respond to emerging NRC requirements. Accordingly, to prevent potential unnecessary delays, the Commission should establish firm time requirements for the IPRP to perform its review of the research projects plans and results. SDG&E suggested specific time requirements for the IPRP to perform its review.⁶⁵ SCE agrees that a time requirement for the IPRP’s review of the seismic projects plans and results will be useful in addressing SCE’s and SDG&E’s concerns that the IPRP not unnecessarily delay the new seismic research projects. The 30-day review period provided in D.10-08-003 for the IPRP to review plans and results is reasonable.⁶⁶ The right-of-appeal to the Commission also is a necessary component to prevent delays resulting from potential disputes.⁶⁷

The Commission also should provide a structure for the IPRP that limits costs. The IPRP established by D.10-08-003 consists of five members, including the CEC, California Geologic Survey, California Coastal Commission, and California Seismic Safety Commission, with the Commission acting as chair for this body.⁶⁸ Each of these members already possess expertise in either the seismic or state regulatory issues involved in this proceeding. A4NR suggested that the IPRP should also include a governmental entity from southern Orange County with local interest in the SONGS 2 & 3 seismic activities.⁶⁹ The IPRP should serve as a consultant body that offers its

⁶⁴ Exhibit ANR-10 (CEC AB 1632 Report), p. 9.

⁶⁵ Exhibit SDG&E-MLD-1, p. MLD-7.

⁶⁶ D.10-08-003, Ordering Paragraphs 6-7, p. 17.

⁶⁷ D. 10-08-003, p. 10.

⁶⁸ D. 10-08-003, p. 9.

⁶⁹ A4NR, Becker, Tr. 243, lines 4-7.

collective expertise on the particular seismic and state regulatory issues involved in this proceeding. Accordingly, if the Commission adds a governmental entity from southern Orange County to the IPRP, the Commission should require that the representative for this entity have sufficient expertise in the seismic and state regulatory issues involved in this proceeding. IPRP costs should be limited to the costs associated with the IPRP's reviewing and commenting on the new seismic research projects for SONGS 2 & 3, including only if necessary, the costs of experts retained by the IPRP (no more than two). The IPRP costs should not include the costs of seismic experts that an individual IPRP member may choose to retain for their own purposes.

These scope, timing, and structural requirements for a SONGS 2 & 3 IPRP are consistent with the IPRP's role for Diablo Canyon.⁷⁰ It is evident that the Commission established the IPRP for Diablo Canyon for the purpose of reviewing the seismic research projects described in PG&E's seismic funding application.⁷¹ If an IPRP is established here, it should have the same role. A4NR representative Rochelle Becker agreed with this during her questioning of SCE witness Mark Nelson:

[A4NR is] just trying to make it clear we are not trying to expand or do something different with Edison than the oversight agencies throughout our state have done for both utilities.⁷²

In sum, if the Commission establishes an IPRP, the Commission should ensure that the IPRP does not create a regulatory chokepoint that prevents SCE from timely discharging its obligations to perform the new seismic research projects for SONGS 2 & 3.⁷³ To prevent this problem, the

⁷⁰ D. 10-08-003, p. 10.

⁷¹ D.10-08-003, pp. 9-10.

⁷² A4NR, Becker, Tr. 108, lines 24-28.

⁷³ Exhibit SCE-3, pp. 8-9.

Commission should provide that the IPRP is not merely an entity that SCE must satisfy with the alternative being an appeal to the Commission.⁷⁴ Rather, the Commission should clarify that the IPRP should serve as consulting body to provide timely review and comments on the SONGS 2 & 3 new seismic research projects, and not unnecessarily impede the progress of the projects.⁷⁵

2.2.3 IPRP Costs

SCE submitted supplemental testimony to address ratemaking for funding the IPRP. Specifically, SCE proposes to establish an IPRP Memorandum Account (IPRPMA) to recover IPRP costs.⁷⁶ Based on SCE's understanding of PG&E's limited experience with the IPRP, SCE estimates that the SONGS 2 & 3 IPRP would cost approximately \$250,000 per year during the pendency of the IPRP review.⁷⁷ SCE also proposes that the IPRPMA be reviewed annually in SCE's Energy Resource Recovery Account (ERRA) review application. SDG&E agreed that an IPRPMA is "an appropriate regulatory mechanism by which the costs of the [IPRP] chargeable to Edison can be collected and ultimately recovered through rates."⁷⁸ SCE agrees with SDG&E's recommendation that the Commission approve the IPRPMA without any limitations on the amounts that can be recorded in any time period, given that SCE will not have any control over the amounts being billed or the timing of the billings.⁷⁹

No party has objected to SCE's ratemaking proposal regarding IPRP costs. Accordingly, the Commission should approve an IPRPMA as reasonable.

⁷⁴ Exhibit SCE-3, p. 9

⁷⁵ Exhibit SCE-3, pp. 8-9

⁷⁶ Exhibit SCE-2, pp. 1-2.

⁷⁷ Exhibit SCE-2, p. 2.

⁷⁸ Exhibit SDG&E-MLD-1, p. MLD-8.

⁷⁹ Exhibit SDG&E-MLD-1, p. MLD-8.

2.3 Cost Cap

2.3.1 A Cost Cap Is Inappropriate

DRA recommends that the Commission apply a cost cap to control costs.⁸⁰ The Commission should reject DRA’s cost-cap proposal.

As SCE explained in its testimony, DRA’s proposal ignores potential developments that may reasonably occur and require additional scope, as SCE performs the SONGS 2 & 3 seismic activities.⁸¹ As with any scientific activity, there is inherent uncertainty regarding the results the SONGS 2 & 3 seismic activities will provide.⁸² Indeed, as has already been shown by PG&E’s motion requesting additional funding for the Diablo Canyon studies, the scope and cost of the seismic activities are subject to evolution as work progresses.⁸³ It is also wholly unreasonable to impose a cost cap because SCE may need to implement IPRP recommendations that require additional costs.

SDG&E also disagreed with DRA’s suggestion that the cost cap is necessary to provide a cost-containment incentive.⁸⁴ SDG&E correctly observed that “costs related to the protection of public safety are not among the kinds of costs where ‘cost containment’ should be the first priority.”⁸⁵ A4NR expressed similar concerns, arguing that a cost cap “does not guarantee the content or quality

⁸⁰ Exhibit DRA-1, pp. 1 and 7.

⁸¹ Exhibit SCE-3, p. 6.

⁸² Exhibit SCE-3, p. 6.

⁸³ Exhibit SCE-3, p. 6.

⁸⁴ Exhibit SDG&E-MLD-1, p. MLD-4.

⁸⁵ Exhibit SDG&E-MLD-1, p. MLD-4.

of the [seismic] work will meet the needs of insuring ratepayers will have reliable and affordable electricity generated by nuclear plants located in seismic areas.”⁸⁶

In sum, the proposed cost cap serves no useful purpose, and will serve only as an unnecessary impediment in the event SCE and need SDG&E to request additional funding for the SONGS 2 & 3 seismic activities to address potential developments that may require additional scope.

⁸⁶ Exhibit ANR-15, p. 7.

2.4 Utility Shareholder Funding of Costs

2.4.1 DRA's Recommendation Is Inconsistent With Established Cost-of-Service Ratemaking Principles

DRA recommends that the Commission apply a 90/10 cost-sharing split between customers and utility shareholders for the costs of the SONGS 2 & 3 seismic activities.⁸⁷ The Commission should reject DRA's cost-sharing proposal, which is inconsistent with established ratemaking policy for SONGS 2 & 3.

Established cost-of-service ratemaking principles provide that investor-owned utilities (IOUs), such as SCE and SDG&E, invest in projects beneficial to ratepayers and earn an authorized rate of return on that investment.⁸⁸ Ratepayers provide funding required to operate and maintain the IOUs' assets consistent with federal and state regulations and recommendations.⁸⁹ The reasonableness of the funding is assessed in periodic general rate cases and special applications such as this one.⁹⁰ SONGS 2 & 3 is operated under cost-of-service ratemaking.⁹¹ As explained above, the SONGS 2 & 3 seismic activities are planned to be consistent with the recommendations made by the CEC in its AB 1632 Report. This report specifically recommends these seismic activities to determine the vulnerability and reliability of SONGS 2 & 3 operations following a seismic event.⁹²

⁸⁷ Exhibit DRA-1, p. 1.

⁸⁸ Exhibit SCE-3, p. 2.

⁸⁹ Exhibit SCE-3, p. 2.

⁹⁰ Exhibit SCE-3, p. 2.

⁹¹ D. 04-07-022 (Commission's 2003 General Rate Case decision re-establishing cost-of-service ratemaking for SONGS 2 & 3).

⁹² Exhibit ANR-10 (CEC AB 1632 Report), p. 1.

Accordingly, it is abundantly evident that SCE's seismic activities are related to SONGS 2 & 3 current operations.⁹³ The activities will provide information regarding SONGS 2 & 3 safety and reliability, for the direct benefit of ratepayers and at the recommendation of the CEC. Given this ratepayer benefit, it is appropriate for ratepayers to bear all of the costs of these activities.⁹⁴

2.4.2 DRA's Argument That There Are Shareholder Benefits Is Flawed

DRA argues that costs should be shared because SCE shareholders potentially will receive a financial benefit from the SONGS 2 & 3 seismic activities, by enabling SCE to successfully renew the operating licenses for SONGS,⁹⁵ or avoid the costs of a catastrophe caused by a seismic event.⁹⁶ DRA's reasoning is flawed, and, in any event, not relevant here.

Cost-of-service ratemaking for SONGS 2 & 3 assures that SCE operates SONGS 2 & 3 for the benefit of its customers.⁹⁷ As discussed above, DRA ignores that obtaining information regarding SONGS 2 & 3 safety and reliability provides a substantial ratepayer benefit. SCE witness Mark Nelson also observed that cost-of-service ratemaking principles do not provide a shareholder benefit for O&M expenses (such as the costs of the SONGS 2 & 3 seismic activities):

An O&M expense is a pass through. In fact, an O&M expense can actually be a risk because if [SCE] were to overrun the scope and not have associated revenues, [SCE] could find that being a shareholder expense.⁹⁸

In addition, contrary to DRA's suggestion that the seismic activities will assist in SCE's SONGS 2 & 3 license renewal efforts with the NRC,⁹⁹ there is no connection between completing

⁹³ Exhibit SCE-3, p. 2.

⁹⁴ Exhibit SCE-3, p. 2.

⁹⁵ Exhibit DRA-4, p. 8.

⁹⁶ Exhibit DRA-4, p. 8.

⁹⁷ D.04-07-022.

the seismic activities and SONGS 2 & 3 license renewal by the NRC.¹⁰⁰ The seismic activities will be reviewed as necessary by the NRC under the current operating license regulatory processes, and not as part of license renewal.¹⁰¹ The NRC’s license renewal review focuses on the management of the aging effects for plant structures, systems, and components that serve or could impact safety functions during the period of extended operation.¹⁰² The NRC’s license renewal review does not assess design basis issues such as seismic issues because these issues are already assessed under the current license.¹⁰³ During cross-examination, Mr. Nelson clarified that the seismic activities are not connected to license renewal with the NRC:

This [the seismic activities] has nothing to do with license renewal and NRC space. This would come into the generic letter process conceivably that the NRC is working with right now, but this isn’t part of license renewal in the NRC space . . .¹⁰⁴

Finally, as SCE explained in its testimony, the notion that the costs should be shared based on an unsupported claim of supposed shareholder benefits cannot be accepted without creating a precedent that would apply to many other costs that extend the operation of the plant.¹⁰⁵ SDG&E expressed a similar view in its testimony, observing that “in the largest sense, every dollar collected in rates provides a ‘ratepayer benefit’ to a utilities shareholders,” rendering DRA’s views regarding

Continued from the previous page

⁹⁸ SCE, Nelson, Tr. p. 123, lines 18-28 to p. 124, line 1.

⁹⁹ DRA incorrectly refers to SONGS 2 & 3 license renewal as “relicensing.”

¹⁰⁰ SCE, Nelson, Tr. p. 122, lines 15-28 to p. 123, lines 1-17.

¹⁰¹ Exhibit SCE-3, p. 5.

¹⁰² 10 CFR § 54.; Exhibit SCE-3, p. 5.

¹⁰³ Exhibit SCE-3, p. 5.

¹⁰⁴ SCE, Nelson, Tr. p. 58, lines 23-28.

¹⁰⁵ Exhibit SCE-3, p. 5.

shareholder benefits irrelevant.¹⁰⁶ SDG&E asserted that “the reasonable costs of doing business as a utility, whether those costs are related to ordinary and prudent business operations in the provision of utility services, meeting legal or regulatory obligations, protecting the public safety, or serving any other purpose approved by the Commission, should be eligible for rate recovery.” SCE agrees with this statement.

For the reasons noted above, providing cost sharing would represent a radical and inappropriate departure from cost-of-service ratemaking principles, and is a precedent the Commission should not set. The Commission should reject DRA’s cost-sharing proposal.

¹⁰⁶ Exhibit SDG&E-MLD-1, p. MLD-4.

2.5 Tier 3 Advice Letter

SCE explained in its testimony that it cannot reasonably predict, nor address in its cost estimate, all the necessary and prudent scope increases that could arise.¹⁰⁷ Given this unavoidable uncertainty, SCE and SDG&E need to have the ability to request funding to perform additional work as necessary.¹⁰⁸ SCE's request for authority to file Tier 3 advice letters to request additional funding is reasonable for this purpose.¹⁰⁹

The Tier 3 advice letter process provide SCE and SDG&E an opportunity to recover costs for work that is unforeseeable at this time, but later determined to be necessary and prudent.¹¹⁰ Furthermore, as opposed to the separate application process that DRA recommends for recovery of additional costs, the advice letter process will ensure timely Commission review so that the SONGS 2 & 3 seismic activities can continue without delay in the event additional funding is needed.¹¹¹ The Tier 3 advice letter process does not guarantee recovery of additional costs, which would still be subject to Commission review and approval.¹¹²

SDG&E's testimony also noted correctly that a Tier 3 advice letter process provides processes fundamentally similar to the application process recommended by DRA for recovery of additional costs.¹¹³ SCE and SDG&E would be required to file the Tier 3 advice letter, serve it upon all interested parties (including the intervenors to this proceeding), and describe the extent of and

¹⁰⁷ Exhibit SCE-3, p. 6.

¹⁰⁸ Exhibit SCE-3, p. 6.

¹⁰⁹ Exhibit SCE-3, p. 6.

¹¹⁰ Exhibit SCE-3, p. 6.

¹¹¹ Exhibit SCE-3, p. 6-7.

¹¹² Exhibit SCE-3, p. 7.

reasons for the increased costs.¹¹⁴ When responding to ALJ Barnett's questions, DRA witness Scott Logan agreed that a Tier 3 advice letter process provides many of the due process protections provided by an application process, noting that similar to an application process, the Tier 3 advice letter process is subject to protest from intervenors and that disputed issues could go to hearing if the Commission desired.¹¹⁵ Therefore, in the event there are objections to a request made in a Tier 3 advice letter for additional funding for the SONGS 2 & 3 seismic activities, the process will be similar to an application. The principal advantage to the Tier 3 advice letter process proposed by SCE and SDG&E is that in the event there are no protests, the time to process the advice letter will be faster, allowing the SONGS 2 & 3 seismic activities to continue without delay.¹¹⁶

Continued from the previous page

¹¹³ Exhibit SDG&E-MLD-1, p. MLD-5.

¹¹⁴ Exhibit SDG&E-MLD-1, p. MLD-5.

¹¹⁵ DRA, Logan, Tr. p. 255, lines 26-28 to p. 256, lines 1-12.

¹¹⁶ Exhibit SCE-3, p. 7; Exhibit SDG&E-MLD-1, p. MLD-5 to 6.

2.6 Balancing Account

SCE proposed to record its 78.21% share of the incremental O&M expenses associated with performing the SONGS 2 & 3 seismic activities in the existing generation sub-account of the Base Revenue Requirement Balancing Account (BRRBA) upon a final Commission decision in this proceeding.¹¹⁷ The BRRBA is the ratemaking account where SCE recovers Commission authorized base (i.e. GRC-type) O&M and capital-related costs.¹¹⁸ Recording the seismic costs in the BRRBA will ensure that only actual O&M expenses associated with the SONGS 2 & 3 seismic activities are recovered from customers, no more or no less.¹¹⁹ SCE witness Michael Parise testified that one of the significant benefits of balancing account treatment is that if SCE does not spend the full amount authorized by the Commission, SCE would refund that unused amount to customers.¹²⁰ SCE's ratemaking proposal is reasonable given this benefit.

¹¹⁷ Exhibit SCE-1, pp. 24.

¹¹⁸ Exhibit SCE-1, p. 24.

¹¹⁹ Exhibit SCE-1, p. 24.

¹²⁰ SCE, Parise, Tr. p. 13, lines 1-6.

3. CONCLUSION

For the foregoing reasons, the Commission should approve SCE's application. Pursuant to the request of ALJ Barnett, SCE provides its recommendations for proposed findings of fact, conclusions of law, and ordered relief in Appendix A.

Respectfully submitted,

DOUGLAS K. PORTER
GLORIA ING
WALKER A. MATTHEWS III

/s/ Walker A. Matthews III

By: Walker A. Matthews III

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone:(626) 302-6879
Facsimile: (626) 302-3990
E-mail: walker.matthews@sce.com

December 5, 2011

Appendix A

APPENDIX A

Pursuant to Rule 13.11 of the Commission's Rules of Practice and Procedure, SCE makes the following recommendations for proposed findings of fact, conclusions of law, and ordered relief:

Proposed Findings of Fact

1. Southern California Edison Company (SCE) should proceed with the SONGS 2 & 3 seismic activities described in A.11-04-006, as recommended by the California Energy Commission (CEC) in its AB 1632 Report and directed by the California Public Utilities Commission (Commission).

2. The SONGS 2 & 3 seismic activities fulfill state regulatory objectives regarding assessing SONGS 2 & 3 seismic conditions, including the CEC's AB 1632 Report recommendation and direction from the Commission. The new seismic research projects should provide sufficient information for SCE to respond to the NRC's requirements for seismic hazard and risk analysis contained in NRC Generic Letter 2011-XX.

3. State agencies and officials with an interest in the SONGS 2 & 3 seismic activities have had an opportunity to comment on the planned scope of the activities, which is public.

4. The Division of Ratepayer Advocates (DRA) has reviewed the SONGS 2 & 3 seismic activities and concluded that they fulfill the CEC's AB 1632 Report recommendations.

5. The planned scope for the SONGS 2 & 3 seismic activities described in A.11-04-006 is in the public interest and is reasonable.

6. SCE's cost estimate of \$64.0 million (nominal \$, 100% level) for the SONGS 2 & 3 seismic activities described in A.11-04-006 is reasonable and should be adopted for ratemaking purposes.

7. The costs of the SONGS 2 & 3 seismic activities are operating and maintenance (O&M) expenses incurred in the ordinary and prudent course of business for the owners of SONGS 2 & 3.

8. SCE should be authorized to recover in rates, its respective share of the actual costs associated with the SONGS 2 & 3 seismic activities, as described in A.11-04-006.

9. SDG&E should be authorized to recover in rates, its respective share of the actual costs associated with the SONGS 2 & 3 seismic activities, as described in A.11-04-006.

10. It is reasonably foreseeable that the costs for SONGS 2 & 3 seismic activities may exceed the current estimates of \$64 million. The Tier 3 advice letter process for seeking recovery of additional funding for the SONGS 2 & 3 seismic activities requires notice to the public and interested parties, and is reasonable.

11. The annual estimates of expense (100% level) for the SONGS 2 & 3 seismic activities are:

2011	\$3.1 million
2012	\$19.4 million
2013	\$21.2 million
2014	\$15.8 million
2015	\$4.5 million
Total	\$64.0 million

Proposed Conclusions of Law

1. SCE should proceed with the SONGS 2 & 3 seismic activities described in A.11-04-006, as the SONGS 2 & 3 seismic activities are in the public interest and fulfill state regulatory objectives regarding assessing SONGS 2 & 3 seismic conditions, including the CEC's AB 1632 Report recommendation and direction from the Commission.

2. SCE's cost estimate of \$64.0 million (nominal \$, 100% level) for the SONGS 2 & 3 seismic activities described in A.11-04-006 is reasonable and should be adopted for ratemaking purposes.

3. SCE's ratemaking proposal, for recovery in rates its share of the costs of the SONGS 2 & 3 seismic activities, is reasonable.

4. SDG&E's ratemaking proposal, for recovery in rates its share of the costs of the SONGS 2 & 3 seismic activities, is reasonable.

5. It is reasonable to allow SCE and SDG&E to file as Tier 3 advice letter to seek the recovery of costs for SONGS 2 & 3 seismic activities may exceed the current estimates of \$64.0 million.

In the event the Commission establishes an IPRP, SCE recommends the following additional paragraphs:

6. It is reasonable to provide for independent peer review of the new seismic research projects and of the findings/results of the new seismic research projects approved and funded through this decision. Therefore, the Commission will convene its own IPRP to conduct a review and provide written comments on the plans for the new seismic research projects prior to implementation and to conduct a review and provide written comments on the findings and/or results of the new seismic research projects.

7. The membership of the IPRP shall consist of a member representing the Commission's Energy Division, the California Seismic Safety Commission, the California Geological Survey, the California Coastal Commission, and the California Energy Commission. The County of Orange may also participate as a member of the IPRP, provided that its representative possess sufficient expertise in the seismic and state regulatory issues involved in this proceeding.

8. The scope and authority of the IPRP is to review and comment on the plans for the new seismic research projects approved and funded through this decision prior to implementation of those projects, and to review and comment on the findings and/or results of the new seismic research projects approved and funded through this decision.

Proposed Ordering Paragraphs

1. SCE's cost estimate of \$64.0 million (nominal \$, 100% level) for the SONGS 2 & 3 seismic activities described in A.11-04-006 is reasonable.
2. SCE is authorized to record and recover its actual costs of implementing the SONGS 2 & 3 seismic activities in the existing generation sub-account of the Base Revenue Requirement Balancing Account (BRRBA) up to \$50.1 million (nominal \$, SCE share).
3. Costs recorded to the BRRBA shall include costs for the activities which reflect SCE's implementation of the CEC's AB 1632 Report recommendations that SCE perform additional seismic studies using off-shore seismic imaging.
4. SCE is authorized to file a Tier 3 Advice Letter to obtain Commission authorization to record in the BRRBA any additional O&M costs that are in excess of reopen this Application when it believes the costs for the seismic activities authorized by this decision will exceed \$64.0 million. The Tier 3 Advice Letter should be served on the service list for this proceeding, and SCE shall be required to provide notice of a potential rate increase to customers.
5. Costs recorded to the BRRBA shall be recovered in SCE's annual ERRR Compliance proceedings, where SCE will provide support for the amounts actually incurred and recorded in the BRRBA and consistent with SCE's request in this application and any subsequent Tier III advice letters.
6. SDG&E is authorized to establish a SONGS Seismic Research Balancing Account and to record and recover the costs of the seismic and tsunami studies allocated and billed to SDG&E by Edison pursuant to the Second Amended San Onofre Operating Agreement executed by Edison and SDG&E, including those certain overheads charged to SDG&E by Edison pursuant to that agreement and as previously authorized by the Commission, provided that SDG&E shall record and recover such costs in its existing SONGS O&M Balancing Account until the earlier of the expiration

date of the SONGS O&M Balancing Account or the completion of the studies, up to an amount equal to \$13.3 million plus any amounts related to the costs associated with the Independent Peer Review Panel.

7. SDG&E is authorized to establish a SONGS Seismic Research Memorandum Account in which it may record any and all costs allocated and billed by Edison to SDG&E related to (a) the studies approved by this order and (b) any additional studies and activities reasonably and directly related to these studies exceeding \$13.3 million, plus (c) any amounts related to the costs associated with the Independent Peer Review Panel. SDG&E may seek authority from the Commission to recover the amounts recorded in the SONGS Seismic Research Memorandum Account at its discretion, but no later than six (6) months following the completion of the studies being performed by Edison. In seeking such authority, SDG&E shall demonstrate that such costs recorded in the SONGS Seismic Research Memorandum Account are reasonable and prudent, provided that in making its demonstration, SDG&E may rely upon the Commission's findings issued pursuant to this order.

In the event the Commission establishes an IPRP, SCE recommends the following additional paragraphs:

8. SCE shall provide the IPRP with its plans for new seismic research projects. The IPRP shall review and provide SCE written comments on the study plans within 30 days of receipt. The failure of the IPRP to provide its written comments within 30 days shall be deemed to constitute a waiver by the IPRP to provide any such comments.

9. SCE shall provide the IPRP the findings and/or results associated with the new seismic research projects upon finalizing those findings and/or results. The IPRP shall review and provide SCE written comments on those findings and/or results within 30 days of receipt. The failure of the

IPRP to provide its written comments within 30 days shall be deemed to constitute a waiver by the IPRP to provide any such comments.

10. SCE is authorized to establish an IPRP memorandum account (IPRPMA) to record its share of the costs of the IPRP that are billed to SCE.

11. Costs recorded to the IPRPMA shall be recovered in SCE's annual ERRA Compliance proceedings, where SCE will provide support for the amounts actually incurred and recorded in the IPRPMA and consistent with SCE's request in this Application and any subsequent Tier III advice letters.

SCE recommends the following concluding paragraphs:

12. Application 10-01-014 is closed.

13. Application 11-05-011 is closed.

14. This order is effective today.

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commissioner's Rules of Practice and Procedure, I have this day served a true copy of **OPENING BRIEF of SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)** on all parties identified in the attached service list(s).

Transmitting the copies via e-mail to all parties who have provided an e-mail address.

First class mail will be used if electronic service cannot be effectuated.

Executed this **5th day of December, 2011**, at Rosemead, California.

/s/ Alejandra Arzola

Alejandra Arzola

Project Analyst

SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Ave.

Post Office Box 800

Rosemead, California 91770



California Public
Utilities Commission

CPUC Home

CALIFORNIA PUBLIC UTILITIES COMMISSION Service Lists

PROCEEDING: A1104006 - EDISON - TO RECOVER
FILER: SOUTHERN CALIFORNIA EDISON COMPANY
LIST NAME: LIST
LAST CHANGED: NOVEMBER 4, 2011

[DOWNLOAD THE COMMA-DELIMITED FILE](#)
[ABOUT COMMA-DELIMITED FILES](#)

[Back to Service Lists Index](#)

Parties

GLORIA M. ING
ATTORNEY AT LAW
SOUTHERN CALIFORNIA EDISON COMPANY
2244 WALNUT GROVE AVE. / PO BOX 800
ROSEMEAD, CA 91770
FOR: SOUTHERN CALIFORNIA EDISON COMPANY

WALKER A. MATTHEWS, III
ATTORNEY AT LAW
SOUTHERN CALIFORNIA EDISON COMPANY
2244 WALNUT GROVE AVENUE, PO BOX 800
ROSEMEAD, CA 91770
FOR: SOUTHERN CALIFORNIA EDISON COMPANY

ALVIN S. PAK
SAN DIEGO GAS & ELECTRIC COMPANY
101 ASH STREET, HQ12C
SAN DIEGO, CA 92101-3017
FOR: SAN DIEGO GAS & ELECTRIC COMPANY

ROCHELLE BECKER
EXECUTIVE DIRECTOR
ALLIANCE FOR NUCLEAR RESPONSIBILITY
PO BOX 1328
SAN LUIS OBISPO, CA 93406
FOR: ALLIANCE FOR NUCLEAR RESPONSIBILITY

RASHID A. RASHID
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
ROOM 4107
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214
FOR: DRA

Information Only

I
MRW & ASSOCIATES, LLC
EMAIL ONLY
EMAIL ONLY, CA 00000

CASE ADMINISTRATION
SOUTHERN CALIFORNIA EDISON COMPANY
LAW DEPT.
2244 WALNUT GROVE AVE. / PO BOX 800
ROSEMEAD, CA 91770

PATRICIA BORCHMANN
1141 CARROTWOOD GLEN
ESCONDIDO, CA 92026

CENTRAL FILES
SAN DIEGO GAS AND ELECTRIC CO.
8330 CENTURY PARK COURT, CP31E
SAN DIEGO, CA 92123

WENDY KEILANI
SAN DIEGO GAS & ELECTRIC
8330 CENTURY PARK COURT, CP32D
SAN DIEGO, CA 92123

LINDA WRAZEN
REGULATORY CASE ADMINISTRATOR
SAN DIEGO GAS & ELECTRIC COMPANY
8330 CENTURY PARK COURT, CP32D
SAN DIEGO, CA 92123-1530

CALIFORNIA ENERGY MARKETS
425 DIVISADERO STREET, SUITE 303
SAN FRANCISCO, CA 94117

CASE COORDINATION
PACIFIC GAS AND ELECTRIC COMPANY
PO BOX 770000, MC B9A
SAN FRANCISCO, CA 94177

State Service

ERIC GREENE
CALIF PUBLIC UTILITIES COMMISSION
MARKET STRUCTURE, COSTS AND NATURAL GAS
AREA 4-A
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

ROBERT A. BARNETT
CALIF PUBLIC UTILITIES COMMISSION
DIVISION OF ADMINISTRATIVE LAW JUDGES
ROOM 2208
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

ROBERT M. POCTA
CALIF PUBLIC UTILITIES COMMISSION
ENERGY COST OF SERVICE & NATURAL GAS BRA
ROOM 4205
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

SCOTT LOGAN
CALIF PUBLIC UTILITIES COMMISSION
ENERGY COST OF SERVICE & NATURAL GAS BRA
ROOM 4108
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

SEPIDEH KHOSROWJAH
CALIF PUBLIC UTILITIES COMMISSION
EXECUTIVE DIVISION
ROOM 5202
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

TRUMAN L. BURNS
CALIF PUBLIC UTILITIES COMMISSION
ENERGY COST OF SERVICE & NATURAL GAS BRA
ROOM 4205
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214
FOR: DRA

[TOP OF PAGE](#)
[BACK TO INDEX OF SERVICE LISTS](#)