STATE OF CALIFORNIA

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

October 29, 2021 - **Agenda ID #20026**
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 18-03-009:

This is the proposed decision of Administrative Law Judge Haga. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's December 2, 2021 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, ex parte communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ ANNE E. SIMON
Anne E. Simon
Chief Administrative Law Judge

AES:mph
Attachment

Decision **PROPOSED DECISION OF ALJ HAGA (Mailed 10/29/2021)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of Southern California Edison Company (U338E) and San Diego Gas & Electric Company (U902E) for the 2018 Nuclear Decommissioning Cost Triennial Proceeding.	Application 18-03-009

DECISION ON PHASES 2 AND 3 OF SOUTHERN CALIFORNIA EDISON COMPANY (U338E) AND SAN DIEGO GAS & ELECTRIC COMPANY (U902E) 2018 NUCLEAR DECOMMISSIONING COST TRIENNIAL PROCEEDING

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DECISION ON PHASES 2 AND 3 OF SOUTHERN CALIFORNIA EDISON COMPANY (U338E) AND SAN DIEGO GAS & ELECTRIC COMPANY (U902E) 2018 NUCLEAR DECOMMISSIONING COST TRIENNIAL PROCEEDING

Summary

Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) (i.e., the Utilities) filed Application (A.) 18-03-009 on March 15, 2018, the 2018 Nuclear Decommissioning Cost Triennial Proceeding. The proceeding addresses the reasonableness of decommissioning costs as claimed by the Utilities for the San Onofre Nuclear Generating Station (SONGS) Units 1, 2&3. The proceeding consists of three (3) phases.[1] The instant decision resolves Phase 2 (i.e., Reasonableness Review of Recorded 2016-2017 Decommissioning Costs) and Phase 3 (i.e., Reasonableness of 2017 Decommissioning Cost Estimates).

The Utilities bear the burden of proof to show the reasonableness of their requests by a preponderance of the evidence. Based on the evidence presented, we find reasonable: (1) $1.93 million (100% Share, 2014 $) for SONGS 1;[2] and (2) $310.1 million (100% Share, 2014 $) for SONGS 2&3[3] decommissioning expenses recorded for 2016-2017. We also find reasonable $0.2 million (2014$) of SONGS 1 and $58.9 million (2014$) of SONGS 2&3 Decommissioning Costs billed by SCE to SDG&E for the 2016-2017 review period, allocated as: $0.2 million for SONGS 1 undistributed activities; $3.6 million for SONGS 2&3 Major Projects; and $55.3 million for

[1] Decision (D.) 19-09-003 resolved Phase 1 issues, namely: 1) nuclear fuel cancellation costs; and 2) form of revised 2016 Palo Verde Nuclear Generating Station decommissioning cost estimate.

[2] SCE holds an 80% interest and SDG&E holds a 20% interest in SONGS 1 decommissioning liability.

[3] SCE holds an approximately 75.74% interest, SDG&E holds a 20% interest, the City of Anaheim holds an approximately 2.47% interest, and the City of Riverside holds a • 1.79% interest in SONGS 2&3 decommissioning liability, respectively.

SONGS 2&3 undistributed activities, and $7.4 million in SDG&E-only decommissioning costs are hereby approved as reasonable.

Regarding the 2017 Decommissioning Cost Estimates (DCE), we find reasonable the following: $209.0 million (100% share, 2014 $) for SONGS 1 and (2) $4,479 million (100% share, 2014 $) for SONGS 2&3. We also find reasonable SDG&E's estimate of $45.9 million (SDG&E share, 2014 $) for SDG&E-only decommissioning costs.

We approve the Utilities' request to maintain annual contributions to their respective SONGS 1 and SONGS 2&3 Nuclear Decommissioning Trusts at $0.00. We also approve the Utilities' proposed amendment to the previously adopted Milestone Framework for reasonableness reviews of SONGS 2&3 decommissioning costs for waste-disposal activities. The Cost Categorization Guidelines presented by the Utilities are also approved. This decision also finds the Utilities in compliance with prior California Public Utilities Commission decisions relating to SONGS decommissioning requirements. An extension is granted in the filing date for the next NDCTP application until May 1, 2022, to provide time for the Utilities to incorporate the results of today's decision into their filing.

For the reasons discussed below, we decline to adopt the disallowance recommendations of parties intervening in this proceeding relating to recorded 2016-2017 costs and for estimated decommissioning costs, as discussed in detail below. We also address proposals of the intervening parties asking the Commission to adopt policies or to take actions relating to the Utilities' decommissioning programs that do not impact costs at issue in the proceeding.

1. General Background

The Nuclear Regulatory Commission (NRC) exercises exclusive jurisdiction as to nuclear power plants for radiological health and safety issues. In accordance with NRC requirements, nuclear power plant operators or licensees must provide financial assurances (through a trust, guarantee from parent company, or other acceptable mechanism) that necessary funds for all decommissioning costs of the facility are available. These funds must cover all activities to safely achieve license termination, spent fuel management, and site restoration. The nuclear power plant operator or licensee is responsible for complying with the NRC's rules and regulations to ensure radiological health and safety of the public. The NRC rules and regulations generally preempt state regulations in this area.

As holders of NRC licenses for the San Onofre Nuclear Generating Station (SONGS), Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) (i.e., the Utilities) are obligated under NRC regulations to decommission SONGS Units 1-3. The Utilities' customers are required to provide funding the costs to decommission SONGS. The Utilities do not own the site upon which SONGS is located. They are authorized to use the site, however, under grants of easement and leases from the United States Department of the Navy and the California State Lands Commission. The SONGS site leases and grants of easement also require the Utilities to decommission the SONGS facility.

California adopted the California Nuclear Decommissioning Act of 1985 (Decommissioning Act) to establish a regulatory framework to ensure adequate financial resources for safe decommissioning of California's nuclear power plants. The Decommissioning Act mandates that the California Public Utilities

Commission (Commission) adopt regulations and guidelines to protect ratepayers and shareholders from decommissioning-related financial risks. To meet this statutory mandate the Commission conducts its review of nuclear decommissioning costs and activities through the Nuclear Decommissioning Cost Triennial Proceeding (NDCTP).[4]

The Commission's primary function in the NDCTP concerns the review and determination of the reasonableness of the Utilities' decommissioning cost estimates (DCE), activities, and actual costs incurred. The Commission reviews DCEs, and then reviews actual costs after the fact to determine whether such expenditures are reasonable and prudent. The NDCTP provides a vehicle to consider the prudency and reasonableness of the Utilities' DCEs, actual activities, and decommissioning costs for SONGS 1 and SONGS 2& 3.

The NDCTP Application has been filed and reviewed pursuant to Sections 451, 454, 701, and 8321, *et seq.* of the Public Utilities Code[5] and in conformance with applicable Commission rules, prior decisions, orders, and resolutions. Pursuant to § 451, each public utility in California must:

> [f]urnish and maintain such adequate, efficient, just and reasonable service, instrumentalities, equipment and facilities …as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.

The duty to furnish and maintain safe equipment and facilities falls squarely on California public utilities, including electric utilities, such as SCE and SDG&E. This duty remains with the Utilities regardless of whether decommissioning activities are conducted directly by the Utilities or by entities

[4] A discussion of federal and state (including Commission) regulation of nuclear power plant decommissioning is set forth below. Pub. Util. Code §§ 8326 and 8327, §§ 8321, *et seq.*, § 8325(c).

[5] All subsequent references to code sections pertain to the California Public Utilities Code unless otherwise specific.

or individuals that the Utilities contract with to carry out decommissioning activities.[6]

We affirm our prior conclusions and orders requiring the Utilities to show that all nuclear decommissioning expenses incurred are the result of appropriate actions and reasonable costs. Accurately forecasting the cost of an activity does not necessarily lead to the conclusion that a particular activity is reasonable. In assessing reasonableness, as in past instances. we consider what the utilities knew or should have known at the time they incurred a cost or (in the case of the DCE) when they prepared the estimate.[6][7]

Discharging the Commission's duty to review decommissioning costs pursuant to §§ 451 and 8327 requires that the Utilities file after-the-fact reasonableness reviews of expenditures for decommissioning SONGS Units 1, 2 and 3 in the Nuclear Decommissioning Cost Triennial Proceedings. Pursuant to § 8326, SCE and SDG&E must prepare, submit, and periodically revise their DCEs as follows:

> (a) Each electrical utility owning, in whole or in part, or operating a nuclear facility, located in California or elsewhere, shall provide a decommissioning cost estimate to the commission or the board for all nuclear facilities which shall include the following:
>
> (1) An estimate of costs of decommissioning.
>
> (2) A description of changes in regulation, technology, and economics affecting the estimate of costs.

[6] See, e.g., D.18-11-034 at 75-76 ("The decision is clear that the reasonableness of SONGS 2&3 cost will not be impaired by any delegation of responsibility to the DGC, and that the utility 'has the ultimate responsibility for all decommissioning activities.' This includes the Commission's ability to review the reasonableness of the contractual allocation of liability between the utility and DGC. SCE cannot hand off liability to a third party and expect ratepayers to cover additional costs in the event the DGC does not perform adequately or the costs for activities by the DGC are unreasonable.").

[6][7] D.05-08-037, ~~pp.~~at 10-11; D.14-12-082, ~~pp.~~at 13-14; D.17-05-020, ~~p.~~at 9.

> (3) A description of additions and deletions to nuclear facilities.
>
> (4) Upon request of the commission or the board, other information required by the Nuclear Regulatory Commission regarding decommissioning costs.
>
> (b) The decommissioning costs estimate study shall be periodically revised in accordance with procedures adopted by the Commission as set forth in § 8327.
>
> Section 8327 requires that:
>
> The commission or the board shall review, in conjunction with each proceeding of the electrical utility held for the purpose of considering changes in electrical rates or charges, the decommissioning costs estimate for the electrical utility in order to ensure that the estimate takes account of the changes in the technology and regulation of decommissioning, the operating experience of each nuclear facility, and the changes in the general economy. The review shall specifically include all cost estimates, the basis for the cost estimates, and all assumptions about the remaining useful life of the nuclear facilities.

Pursuant to § 451, all rates and charges collected by a public utility must be "just and reasonable," and a public utility may not change any rate "except upon a showing before the commission and a finding by the commission that the new rate is justified." (§ 454.) The burden of proof is on the Utilities to demonstrate that all nuclear decommissioning expenses incurred are the result of appropriate actions and reasonable costs, as well as the reasonableness of the DCE and any resulting rate change requests. The Utilities must demonstrate that all activities or expenses incurred are reasonable or even needed.

The standard of proof is that of a preponderance of evidence, which means such evidence as, when weighed with that opposed to it, has more convincing

force and the greater probability of truth.[~~7~~8] We address each area of parties' disagreement relating to the Utilities' showing in the discussion below.

2. Procedural Background

The Utilities jointly filed their 2018 NDCTP Application on March 15, 2018. On April 26, 2018, the Commission preliminarily categorized this proceeding as ratesetting with hearings required in Resolution ALJ 176-3415. Protests were filed by the Public Advocates Office of the California Public Utilities Commission (Cal Advocates) and The Utility Reform Network (TURN) on April 23, 2018. The Alliance for Nuclear Responsibility (A4NR) filed a protest on April 20, 2018. On May 3, 2018, the Utilities jointly filed a reply to the protests.[~~8~~9] In D.18-10-010, the Commission deferred a determination regarding the nuclear fuel cancellation costs to the instant proceeding to address whether D.18-07-037 impacted parties' positions on this issue.

On August 15, 2018, parties filed a Joint Prehearing Conference (PHC) Statement. A PHC was held on August 30, 2018. On November 13, 2018, an updated Joint PHC Statement was provided by the parties and a second PHC was held on November 29, 2018. The parties presented a revised proposed schedule for three phases.

The Assigned Commissioner issued a Scoping Memo on December 19, 2018, setting the scope for each of three phases of the proceeding. On September 12, 2019, the Commission issued D.19-09-003 concluding Phase 1 of the proceeding.[~~9~~10] The instant decision resolves Phase 2 (reviewing the reasonableness review of 2016-2017 recorded decommissioning costs), and Phase

[~~7~~8] See, e.g., D.16-04-019 at 16-17.
[~~8~~9] D.18-11-034.
[~~9~~10] Phase 1 issues were: 1) nuclear fuel cancellation costs (deferred from Application 16-03-004); and 2) form of revised 2016 Palo Verde Nuclear Generating Station decommissioning cost estimate.

3 (reviewing 2017 decommissioning cost estimates). The Scoping Memo dated December 19, 2018, identified the following Phases 2 and 3 issues:

1. The reasonableness of 2017 DCEs for SONGS 1 and SONGS 2&3.
2. The reasonableness of the 2016-2017 SONGS 1 and SONGS 2 &3 recorded decommissioning costs.
3. The status of the Utilities compliance with prior Commission decisions in the NDCTP.
4. The reasonableness of each Utility's financial analyses and calculated customer contribution levels for their respective SONGS 1 and SONGS 2&3 Nuclear Decommissioning Trusts; and
5. The reasonableness of the Utilities' actions regarding litigation against the government for recovery of damages related to the Department of Energy's failure to pick up SONGS spent fuel for offsite storage.

The Utilities served Phase 2 supplemental testimony on December 14, 2018, with intervenor testimony served on January 11, 2019, and rebuttal testimony on February 1, 2019. Phase 2 evidentiary hearings were held June 24-25, 2019, with opening briefs filed on July 18, 2019, and reply briefs on August 8, 2019.

A PHC for Phase 3 of the proceeding was held on June 24, 2019. The Utilities served Phase 3 testimony on September 27, 2019, and intervenor testimony was served on December 6, 2019, with rebuttal testimony served on January 17, 2020. Phase 3 evidentiary hearings were held on February 12, 2020, with opening briefs filed on March 6, 2020, and reply briefs on March 20, 2020. The record for Phases 2 and 3 was each submitted, respectively, upon the filing of reply briefs.

By D. 21-06-018, the statutory deadline for this proceeding was extended until October 22, 2021, to allow enough time to issue a proposed decision for public review and comments, and for the Commission to deliberate and issue its final decision.

3. Phase 2 Issues Before the Commission

Phase 2 of this proceeding addresses the Utilities' claims that recorded 2016-2017 decommissioning costs for all three of the SONGS units are just and reasonable. The Utilities seek reasonableness findings for 2016-2017 recorded costs of (1) $1.93 million (100% Share, 2014 $) for SONGS 1; and $310.1 million (100% Share, 2014 $) for SONGS 2&3. We review below Utilities' support for their claims and parties' disputes with those claims, as discussed below.

3.1. SONGS 1 2016-2017 Recorded Decommissioning Costs

3.1.1. Parties' Positions

SCE requests that the Commission approve as reasonable $1.93 million (100% Share, 2014 $) for SONGS 1 decommissioning costs incurred during 2016-2017. SCE incurred these costs for: (1) insurance; (2) NRC fees; (3) association fees and expenses; (4) ground water monitoring; (5) site lease and easement expenses; and (6) contracted services.

SCE claims all the recorded costs are reasonable for SONGS 1 decommissioning projects completed in 2016-2017, (i.e., Decommissioning General Contractor (DGC) Selection, Spent Fuel Pool Islanding, and Transition Modifications) and for undistributed activities undertaken in 2016-2017. SCE argues the costs for these activities were required to comply with regulations, protect the site, or facilitate decommissioning,[~~10~~11] SCE also claims the SONGS 1

[~~10~~11] Exhibit SCE-04.

and SONGS 2&3 NDTs remain sufficiently funded. No additional customer funding is requested for decommissioning costs.

3.1.2. Discussion

We conclude that SCE has met its evidentiary burden of demonstrating the reasonableness of the recorded 2016-2017 SONGS 1 decommissioning costs. The recorded costs of $1.93 million compare with estimate of $1.84 million (100% Share, 2014 $) adopted in the last NDCTP proceeding. No party has objected to or proposes disallowances of these recorded costs. Accordingly, we find that $1.93 million in recorded 2016-2017 SONGS 1 decommissioning costs are reasonable and approve them. We also find reasonable the Utilities' representation that no additional customer funding is needed at this time.

3.2. SONGS 2&3 2016-2017 Recorded Decommissioning Costs

SCE requests the Commission find reasonable and approve 2016-2017 SONGS 2&3 recorded decommissioning costs as follows:

a) $27.2 million (100% Share, 2014 $) for major distributed cost projects completed during 2016-2017, identified as: (1) Select Decommissioning General Contractor (DGC); (2) Spent Fuel Pool Islanding; and (3) Transition Modifications Phase 2; and

b)

c) $282.9 million (100% Share, 2014 $) for 2016-2017 undistributed costs, identified as: (1) Labor Staff – utility staff and security force; (2) DGC Staff; (3) Non-Labor – fees, permits, and leases; plant operations; and other non-labor costs; and (4) service level agreements.

SCE states the recorded costs for these activities were required to comply with regulations, protect the site, or facilitate decommissioning.[~~11~~12]

[~~11~~12] Exhibit SCE-05C.

SDG&E requests the Commission also find reasonable $0.2 million (2014 $) of SONGS 1 and $58.9 million (2014 $) for its share of SONGS 2&3 Decommissioning Costs billed by SCE for the 2016-2017 review period, allocated as: $0.2 million for SONGS 1 undistributed activities; $3.6 million for SONGS 2&3 Major Projects; and $55.3 million for SONGS 2&3 undistributed activities, and $7.4 million in SDG&E-only Decommissioning Costs are hereby approved as reasonable. SDG&E reviewed SCE testimony in support of 2016-2017 activities and variances to the SONGS 2&3 DCE. SDG&E affirms that the testimony provided adequate detail to show that the costs were appropriate and necessary and any variances from the 2014 SONGS 2&3 DCE are understandable. SDG&E conducted its own
on-site and accounting review of these activities and underlying costs. SDG&E witness Levin testified to these activities as being reasonable tasks necessary for decommissioning.[~~12~~13]

No party objected to or challenged SDG&E's estimate of SDG&E-only costs for decommissioning. We find the SDG&E-only costs of $0.2 million of SONGS 1 and $58.9 million of SONGS 2&3 Decommissioning Costs (allocated as: $0.2 million for SONGS 1 undistributed activities; $3.6 million for SONGS 2&3 Major Projects; and $55.3 million for SONGS 2&3 undistributed activities) are reasonable for its share of SONGS 2&3 Decommissioning Costs billed to SDG&E by SCE for the 2016-2017 review period, and $7.4 million in SDG&E-only Decommissioning Costs are hereby approved as reasonable.

TURN and Cal Advocates challenge the Utilities' showing and propose disallowances for certain elements of the SONGS 2&3 recorded decommissioning costs for 2016-2017. We find reasonable the uncontested portions the Utilities'

[~~12~~13] Exhibit SDGE-03C-R.

recorded 2016-2017 SONGS 2&3 decommissioning costs. We address below the intervenor parties' recommended disallowances of certain aspects of the 2016-2017 SONGS 2&3 recorded cost elements.

3.2.1. DGC Selection Costs

3.2.1.1. Parties' Positions

SCE recorded $13.8 million for the selection of a Decommissioning General Contractor (DGC). The 2016-2017 recorded costs yield a variance of $13.0 million relative to the $0.8 million adopted in the 2014 DCE in D.18-11-034. The DGC selection recorded costs for 2016-2017 include: (1) legal review of the DGC solicitation process; and (2) legal training regarding the DGC Agreement. SCE incurred $234,000 to perform an independent legal review of the DGC solicitation process to confirm that it was implemented appropriately and fairly and to foreclose potential legal action by unsuccessful bidders. SCE also incurred $147,000 for legal work relating to training SONGS staff on the DGC Agreement. The training was provided by the law firm that negotiated and drafted the DGC Agreement to ensure that staff were prepared to implement the agreement, comply with its terms, and conduct oversight. SCE provided additional information and variance explanations on these issues in Exhibit SCE-05C.

SDG&E's recorded costs related to this completed major distributed project was $2.4 million (SDG&E share, 2014 $), which is $2.2 million (SDG&E share, 2014 $) more than the 2014 SONGS 2&3 DCE forecast.

Cal Advocates recommends a disallowance of $10.8 million (100% Share, 2014 $) limiting the recovery of recorded costs for the DGC project to $3 million. Cal Advocates calculates the $3 million allowance by multiplying by three the 2014 DCE of $0.8 million to account for SCE's decision to negotiate with three

bidders (i.e., $0.8 * 3 = $2.4 million). Cal Advocates then rounds up this amount to arrive at $3 million.

Cal Advocates also recommends disallowances of the $234,000 recorded for DGC Solicitation issues and of the $147,000 recorded for SDS Contract issues. Cal Advocates asserts that these costs should have been included in connection with selecting the DGC, and that SCE's work papers did not support the reasonableness of these costs.

Cal Advocates claims that the disallowance is warranted because SCE failed to update its $0.8 million 2014 DCE in a timely manner. Cal Advocates believes SCE had reason to know that it would exceed its original estimate for both time and costs. By the end of 2014, DGC selection spending had already doubled to $1.9 million. Cal Advocates argues if the DCE benchmark is to have any meaning, SCE must be held to its original cost estimates.

TURN also makes recommendations for deferral or disallowance of DGC selection costs. TURN first recommends that the reasonableness review of the 2016-2017 costs of the DGC selection activity be deferred until after Phase II (i.e., major physical decommissioning) commences, allowing SCE to seek reconsideration in a future NDCTP. Alternatively, TURN proposes capping the DCE at the $0.8 million (equal to the previously adopted 2014 DCE) yielding a $13 million disallowance (i.e., $13.8 million (proposed DCE) - $0.8 million (2014 DCE) = $13 million). If the Commission declines to disallow $13 million, TURN proposes an alternative $6.9 million disallowance. The $6.9 million figure is based on the range of reasonable costs for DGC selection estimated by SDG&E witness Levin. To derive the $6.9 million, TURN subtracts $4 million from Levin's figures to exclude costs that TURN claims are unrelated to DGC

selection.[13][14] TURN argues that Levin's cost range has not been justified, but that the Commission may consider it relevant as a benchmark for a disallowance.

TURN argues that SCE has not exercised due diligence with respect to the DGC selection process, and that SCE should be held accountable for any adverse consequences stemming from its decision including delays, higher costs, and potential disputes with the DGC. TURN characterizes the DGC Agreement as a significant shift in practice that requires scrutiny to determine whether SCE's decision to comprehensively turn over responsibility for decommissioning to a third party creates unreasonable risks or costs. TURN views the DGC Agreement as essentially becoming SCE's decommissioning plan for SONGS 2&3 with the utility role being primarily to monitor DGC performance.

In A.14-12-007, TURN argued that SCE's decision to pursue a DGC was not supported. In the current proceeding, TURN argues that SCE offers little new information to support its decision to rely almost entirely on a DGC to perform SONGS decommissioning work. TURN claims that SCE committed to the DGC approach without substantive analysis and despite negative experience with this option at other nuclear sites.

The Utilities dispute Cal Advocates and TURN's claims that deferrals or disallowances are warranted for the DGC selection process. The Utilities claim that merely because the 2014 DCE proved significantly underestimated, that does not inherently make recorded costs unreasonable. According to SCE, the significant increase in DGC selection costs was justified based on lessons learned as identified from the study produced by the firm of CH2MHill, resulting in a much more comprehensive process than anticipated in developing the 2014 DCE.

[13][14] TURN identifies the $4 million as: (a) permitting costs and (b) work relating to transfer of NRC license and trust funds claiming that these activities were not part of the SONGS DGC selection process. TURN reduces Levin's $10.9 million lower-end estimate by the $4 million.

In April 2014, the firm of CH2MHill was engaged to develop a SONGS DGC Strategic Assessment Plan that identified market best practices, and to obtain market intelligence regarding contractors capable of performing a large-scale decommissioning project. The CH2MHill evaluation was intended to make sure that the process for selecting a DGC was appropriate for a decommissioning project with the scope and complexity at SONGS. SCE subsequently developed and executed a more comprehensive procurement process than anticipated in the 2014 DCE.

SCE also cites additional costs from development of an on-site work facility for the bidders, negotiating with multiple bidders through the entire process and an independent peer review process initiated by SCE, which involved multiple teams of and reviews by subject matter experts at all stages of the selection process.

3.2.1.2. **Discussion**

We conclude that the $13.8 million in recorded 2016-2017 DGC selection costs are reasonable and approve them. We find no justification for disallowing or deferring the DGC selection costs. Although Cal Advocates argues that the Utilities should have updated the 2014 DGC estimate in A.14-12-007, we find that the Utilities adequately explain why updating was not feasible. The Utilities relied on information available when testimony in A. 14-12-007 was prepared. Subsequent changes could not realistically have been incorporated in testimony given the constrains of the adopted schedule.

The 2014 DCE assumed a process for selecting a vendor and negotiating a contract with less complex terms and conditions. After it submitted its 2014 DCE for SONGS 1, SCE decided to move forward with an unplanned permanent shutdown of SONGS 2&3 shortly thereafter. Because the shutdown was

unplanned, SCE did not have the opportunity to obtain specific information regarding DGC solicitation to inform its 2014 estimate of procurement costs.

We conclude that the magnitude of underestimation does not inherently indicate whether decision to pursue a more extensive and costly process was unreasonable. We find that SCE presented sufficient explanation for its decision to implement a more robust procurement process. The resulting variances in estimated-versus-recorded costs are adequately explained. SCE's efforts and the diversity of required expertise justified the size of the DGC Selection staff and duration of the process.[~~14~~15]

We thus find no basis to limit recovery to $3 million, as proposed by Cal Advocates or to defer or disallow the DGC costs proposed by TURN.

We find nothing inherently unreasonable in the Utilities' decision to change course to pursue a DGC even though a different alternative might have been selected. Each of the business models the Utilities considered, (i.e., the DGC, License Transfer, or Self Perform) were each within a range of reasonable acts. A reasonable act can be within a "spectrum of possible acts consistent with the utility system need, the interest of the ratepayers, and the requirements of governmental agencies of competent jurisdiction."[~~15~~16]

We need not identify hypothetical costs that might have been incurred if a different alternative had been selected. We focus on how the Utilities implemented the approach selected. We find that SCE exercised due diligence, utilizing experts to gauge decommissioning experience and capabilities of contractors. SCE implemented recommendations from the CH2MHill report, including: (1) developing a document library (e.g., plant design records, drawings, and maps); (2) installing on-site work trailers for bidders to facilitate

[~~14~~15] Exhibit SCE-05C at 15.
[~~15~~16] D.16-12-063 at 9.

contractor due diligence; and (3) engaging third-party experts to review SCE's activities to validate adherence to best practices.

We find the recorded costs for the DGC selection in line with costs for similarly large and complex procurements. SCE witness Bauder stated, "you would expect the cost [of the DGC procurement] to run about one percent of total contract value and that's really where it ended up."[~~16~~17] SDG&E witness Levin, an industry expert on decommissioning, also testified that the choice to select a DGC to perform decommissioning was the correct choice for SONGS.

We find no basis for TURN's proposed $6.9 million disallowance based on the range of costs as identified by SDG&E witness Levin. The $13.8 million spent on DGC selection falls within the range that Levin estimated compared to other decommissioning projects.[~~17~~18] First of all, we can find no reason to reduce the $13.8 million spend on DGC selection based, arguendo, on perceived flaws in Levin's testimony. We are also not persuaded that TURN has shown a link between the Levin estimate and the $13.8 million spent on DGC selection that could form the foundation of such a disallowance. The Levin testimony provides a check on the reasonableness of the $13.8 million spent on DGC selection; it is not the basis for the $13.8 million cost.

We find no basis to remove $4 million from Levin's estimates as calculated by TURN. TURN subtracted $2 million for tax, legal, financial, and regulatory support claiming these activities would only be incurred for a license transfer agreement. Levin's rebuttal testimony, however, contained no mention of these costs being the result of a license transfer arrangement, but stated that they supported the DGC process.[~~18~~19] Likewise, we do not accept TURN's subtraction

[~~16~~17] RT Vol. 1 at 91.
[~~17~~18] See, Exhibit SDG&E-05 at 10-13.
[~~18~~19] Exhibit SDGE-05 at 11.

of $2 million for environmental permitting costs. Nowhere in Levin's testimony did he state that his estimate for additional effort necessary to account for the SONGS site-specific stakeholders was for environmental permitting.[19][20]

We also decline to disallow $234,000 as recommended by Cal Advocates. SCE spent $234,000 for an independent legal review of the DGC solicitation process to confirm that the process was implemented appropriately and fairly and to mitigate against potential protests (lawsuits) by the unsuccessful bidders activity. Because the review did not directly support SONGS' selection of a DGC nor the development of terms and condition for the contract, the costs were not included in the DGC Selection costs. Nonetheless, it was reasonable for SCE to incur these costs to protect customers from litigation risk, and we find no basis to disallow them.

We also find that SCE reasonably incurred $147,000 for legal work relating to training SONGS staff on the DGC Agreement. Although Cal Advocates argues that this training could have been performed in-house, we find that the required expertise did not exist in-house. Outside counsel were the primary drafters of the agreement, and best positioned to provide training. Accordingly, we decline to disallow the $147,000

3.2.2. DGC Staffing Costs

3.2.2.1. Parties' Positions

SCE requests approval of recorded undistributed costs of $82.5 million (100% Share, 2014 $) for DGC Staffing costs. The 2014 SONGS 2&3 DCE forecasted $43.6 million (100% Share, 2014 $) for this activity, resulting in a variance of $38.9 million more than the 2014 estimate.

[19][20] See, RT Vol. 2 at 210.

SDG&E requests approval of $15.9 million (SDG&E share, 2014$) billed by SCE in 2016 and 2017 for SONGS 2&3 DGC Staff costs, which is $7.1 million (SDG&E share, 2014$) more than the 2014 SONGS 2&3 DCE. SDG&E and SCE provided testimony to support the reasonableness of $82.5 million (100% share, 2014$) for DGC staff incurred in 2016 and 2017.

TURN recommends disallowing $66.3 million (100% Share, 2014 $) of staffing cost payments to the DGC. TURN claims that SCE spent too much on the DGC's efforts to transition programs from SCE to the DGC. TURN argues: (1) some of the programs were unnecessary; (2) the DGC should have already had programs in place that would either be immediately usable or easy to adapt to SONGS; and (3) existing programs should have been available to SCE at virtually no cost.

TURN recommends that the undistributed costs recorded for Utility Staff need to be reviewed in light of the recent Commission's decision directing SCE to create a mapping of costs incurred in prior DCEs that properly reflects staff support for Distributed Activities. TURN believes this should be completed before the recorded amounts for SCE Utility Staff in 2016 and 2017 are approved as reasonable. SDG&E disagrees with TURN's recommendation arguing that it is inconsistent with D.18-11-034 and the Milestone Framework.

SCE opposes TURN's proposed disallowance, arguing that the DGC developed the Phase 1 payment milestones with the understanding that the pricing would cover many activities not associated with the milestones that triggered the payments. SCE argues that not all these activities need to be completed for the DGC to stand up its decommissioning organization as a going concern capable of completing a decommissioning project.

SCE suggests the Commission consider the totality of circumstances, including: (1) costs negotiated for the DGC Agreement resulted from a competitive bidding process; (2) the payment schedule under the DGC Agreement is reasonably structured so that the DGC must make measurable progress before being paid; and (3) SCE is prudently administering the DGC Agreement.

3.2.2.2. Discussion

We find that SCE has justified the 2016-2017 recorded undistributed costs of $82.5 million for DGC staffing. We also find the SDG&E share of $15.9 million reasonable. We find no basis to disallow $66 million as proposed by TURN.

We find the DGC staffing costs reasonable and necessary. Undistributed DGC Staffing costs consisted of DGC initial mobilization efforts, development of a program transition plan, and then the transition of twenty-one SCE management programs to the DGC. The effort involved in the transition of programs from SCE to the DGC was significant.

The funds were spent to compensate the DGC for a range of activities beyond just program transition. DGC Staffing payments compensated the DGC for procurement and subcontracting activities and expenses associated with staffing up its decommissioning organization as a going concern capable of completing a large decommissioning project.

The amount for DGC staffing under the contract is in large part a direct result of the competitive-bidding process to select the DGC and negotiate the DGC Agreement, and it is less than the amount estimated in the 2014 DCE.[~~20~~21]

The amount paid by SCE for DGC Staffing costs in 2017 matches what the DGC was owed under the payment schedule for the milestones completed in

[~~20~~ 21] Exhibit SCE-05C, at 34.

2017. SCE confirmed that it did everything it was obligated to do under the DGC Agreement, prior to making the milestone payments.[21][22]

The Commission directed SCE to create a mapping of costs incurred in prior DCE for such activities with categories presented in future DCEs to ensure there is transparency in assessing the reasonableness of proposed decommissioning costs with prior estimates. This directive was not meant to apply to the reasonableness review of the recorded costs, but it was for assessing proposed decommissioning cost estimates.

3.2.3. Uncontested SONGS 2&3 Costs

3.2.3.1. Parties' Position

SCE recorded $27.2 million (100% Share, 2014 $) for 2016-2017 SONGS 2&3 completed major projects: (1) Select DGC; (2) Spent Fuel Pool Islanding; and (3) Transition Modifications Phase 2. SCE claims these activities were necessary to meet regulatory requirements, prepare for decommissioning, and reduce or eliminate unnecessary costs. Cal Advocates and TURN challenged the reasonableness of portions of the $13.8 million in recorded costs for the Select DGC major project. The remaining $13.4 million (100% Share, 2014 $) for Spent Fuel Pool Islanding and Transition Modification Phase 2 was not challenged by any other party.

SCE also recorded $282.9 million (100% Share 2014 $) for 2016-2017 undistributed costs. TURN challenged portions of $82.5 million (100% Share, 2014 $) recorded for undistributed DGC Staffing costs. The remaining $200.4 million (100% Share, 2014 $) for undistributed costs was not challenged by either Cal Advocates or TURN. SCE claims these remaining undistributed costs

[21][22] Exhibit SCE-05C, at 32-34

were necessary to ensure compliance with regulatory, plant operations & maintenance, permit, or contractual requirements.

3.2.3.2. Discussion

We conclude that SCE has justified the combined unchallenged costs of $213.8 million (100% Share, 2014 $) and $13.4 million + $200.4 million). Based on Exhibit SCE-05C testimony, we find these undistributed costs were necessary to ensure compliance with regulatory, plant operations & maintenance, permit, or contractual requirements. SCE has met its evidentiary burden in demonstrating the reasonableness of these unchallenged decommissioning activities and costs. Accordingly, we approve the $213.8 million in unchallenged recorded costs as reasonable.

4. Phase 3 Issues Before the Commission

In Phase 3 of the proceeding, the Utilities request the Commission approve as reasonable:

> (1) the 2017 SONGS Unit 1 decommissioning cost estimate (DCE) of $209.0 million (100% share, 2014 $);
>
> (2) the 2017 SONGS Units 2&3 DCE of $4,479 million (100% share, 2014 $);
>
> (3) the Utilities' request to maintain annual contributions to their respective SONGS 1 Nuclear Decommissioning Trusts (NDTs) at $0.00 (zero), based upon the 2017 SONGS 1 DCE, current level of funding of the respective SONGS 1 NDTs, forecast returns on the NDTs, and projected escalation rates;
>
> (4) the Utilities' request to maintain annual contributions to their respective SONGS 2&3 NDTs at $0.00 (zero), based upon the 2017 SONGS 2&3 DCE, current level of funding of the SONGS 2&3 NDTs, forecast returns on the NDTs, and projected escalation rates;

(5) the proposed amendment to Milestone Framework for reasonableness reviews of SONGS 2&3 decommissioning costs for waste-disposal activities;

(6) the Utilities' proposed Cost-Categorization Guidelines; and

(7) the Utilities' compliance with prior Commission decisions in the Nuclear Decommissioning Costs Triennial Proceeding (NDCTP).

SDG&E recommends that the Commission find as reasonable:

(1) SDG&E's estimate of $45.9 million (SDG&E share, 2014 $) for SDG&E-only decommissioning costs.

The Utilities' proposed 2017 DCE for SONGS 2&3 decommissioning includes activities and costs for: (1) ISFSI & Fuel Transfer Operations; (2) Final Site Restoration; (3) ISFSI Aging Management; (4) Decontamination, Demolition, and Disposal (essentially DGC Agreement costs); (5) Substructure Removal; (6) GTCC Waste Storage; (7) Plant Easement/Lease Renewals; (8) Offshore Conduit Removal; (9) ISFSI Demolition; (10) Completed Projects. The Utilities' testimony also discussed undistributed activities and costs for: (1) Contracted Services; (2) Service Level Agreements; (3) DGC Staffing; (4) Labor Staffing; and (5) All Other Non-Labor. The Utilities' proposed DCE also reflects changes in regulations, technology, and economics; additions and deletions to the nuclear facilities; and updated site radiological assumptions; lessons-learned from other nuclear decommissioning projects.

In support of their cost showing, the Utilities point to the independent review of their DCE conducted by ABZ Incorporated (ABZ) which focused on major assumptions, methodology, schedule, distributed costs activities, staffing, undistributed cost items, and contingency. ABZ also performed internal consistency checks and compared the estimated costs to industry experience.

ABZ concluded that the 2017 DCE is reasonable and that the scope of activities is sufficient to accommodate safe dismantlement and restoration of the SONGS site.

SDG&E also retained the services of Carignan and Associates LLC (C&A) to provide decommissioning technical support in connection with SDG&E's review and oversight of the 2017 SONGS 2&3 DCE. The C&A report addressed the reasonableness of the DCE and identified no material deficiencies. Overall, C&A concluded that SDG&E's review of the DCE was thorough and detailed, supporting SDG&E's findings that the DCE was reasonable.

Cal Advocates recommended reductions to SONGS 1 and SONGS 2&3 DCEs to exclude conduit removal costs. TURN recommended reductions to the SONGS 2&3 DCE for: (1) removing risk contingency amounts; (2) removing undistributed costs of $104.1 million associated with SCE's extension of the DGC schedule; and (3) eliminating other unspecified costs of $78.5 million exceeding DGC Agreement costs.

4.1. SONGS 1 Decommissioning Cost Estimate and Customer Contributions

4.1.1. Parties' Positions

The Utilities requested the Commission find reasonable the 2017 SONGS 1 DCE of $209.0 million (100% share, 2014 $), and requested to maintain annual customer contributions at $0.00 for their respective SONGS 1 NDTs. No party opposed the Utilities' $0.00 customer-contribution request for their respective SONGS 1 NDTs.

The Utilities submitted explanations of the remaining decommissioning activities and costs included in the 2017 SONGS 1 DCE. These activities and costs cover disposing of the SONGS 1 reactor vessel package, dismantling and demolishing the Areva Independent Spent Fuel Storage Installation (ISFSI),

removing all SONGS 1 substructures, removing the SONGS 1 intake and discharge conduits, and restoring the site. The DCE also reflects changes in regulations, technology, and economics; additions and deletions to the nuclear facilities; and updated site radiological assumptions; lessons-learned from other nuclear decommissioning projects.

The 2017 DCE included new and updated information regarding: (1) Decommissioning General Contract (DGC) Pricing – updating the pricing for the contract awarded to SONGS Decommissioning Solutions (SDS) for transportation and disposal of the SONGS 1 reactor vessel package; (2) Waste Disposal - changing the assumed disposal site for substructure removal and ISFSI demolition waste; (3) Undistributed Costs - updating undistributed cost projections based on revised estimates of common costs and allocations to SONGS 1; and (4) new decommissioning projects identified since the 2016 DCE.

4.1.2. Discussion

We conclude that the Utilities have met their burden of proof as to the reasonableness of the uncontested portion of the 2017 SONGS 1 DCE and $0.00 customer-contribution request and approve those requests. The only portion of the 2017 SONGS 1 DCE challenged by parties pertained to conduit removal costs. We address below parties' challenges on this issue.

4.2. SONGS 1 Conduit Removal Costs

4.2.1. Parties' Positions

Cal Advocates recommends that the 2017 SONGS 1 DCE be reduced by $34 million to eliminate SCE's estimate for removal of SONGS 1 intake/discharge conduits. Cal Advocates claims that SCE provided no new information to demonstrate the reasonableness of the SONG 1 conduit removal costs, as called for in D.18-11-0034.

In the last NDCTP, the Commission found that SCE and SDG&E had failed to justify including costs for removal of these intake/discharge conduits. In D.18-11-034, the Commission excluded SONGS 1 conduit removal costs from the adopted DCE and ordered that such costs not be reintroduced until certain conditions were met – principally, until the final lease termination agreement was finalized.

Cal Advocates argues that the final lease termination agreement with CSLC will determine if and when the SONGS 1 conduits need to be fully removed. Until SCE enters a final lease termination agreement and provides additional evidence as called for in D.18-11-034, Cal Advocates argues, the conduit removal costs should be excluded from the DCE.

SCE responds that because its contract negotiations with the California State Lands Commission (CSLC) have not yet been finalized, it was not able to provide a copy of the final agreement delineating conduit removal obligations, as called for in D.18-11-034. SCE's discussions with the CSLC are continuing.

SCE argues, however, that while D.18-11-034 excluded conduit removal costs from the SONGS 1 DCE, the Commission also stated that known or reasonably anticipated costs should be included in the DCE. SCE argues that the conduit removal costs at issue here are the type of costs that it was directed to include in a DCE. While the SONGS 1 Lease Termination Agreement has not been finalized, SCE argues that there is no doubt that the Utilities' conduit-removal obligations will be in that agreement. The existing SONGS 1 conduit lease agreement[~~22~~23] states that the Utilities are liable for the removal cost as long as any portion of SONGS 1 conduits remains abandoned.

[~~22~~ 23] See, Lease No. PRC 3193, Section 2 Paragraph 10.

Since the purpose of the DCE is to identify decommissioning obligations and costs, SCE argues, the Utilities must recognize this liability and provide assurance that sufficient decommissioning funding has been set aside.
SCE argues that removing the costs would distort the DCE and the assessment of whether the NDTs are sufficiently funded.

4.2.2. Discussion

We conclude that SCE has justified the inclusion of conduit removal costs for SONGS 1 in the DCE, and we decline to disallow them. Based on the record before us and even though the lease termination agreement has not been finalized, we find the conduit removal costs represent a valid liability and warrant inclusion in the SONGS 1 DCE. Although D.18-11-034 called for a submission of a finalized lease agreement as evidence of the cost, that condition was imposed based on the record at that time. D.18-11-034 stated that: "SCE may submit additional information in future NDCTPs to further its position as to whether this cost should or should not be included in the SONGS 1 DCE once it has reached final terms and agreements with the CSLC as to the new lease agreement or lease termination agreement."[~~23~~24]

Based on Rebuttal Exhibit SCE-15, we find that SCE remains obligated to remove the SONGS 1 conduits, if directed to do so by the California State Lands Commission (CSLC). As provided in the existing conduit lease, the CSLC can require SCE to remove the SONGS 1 conduits at any time.[~~24~~25] As long as any portion of the conduits remains abandoned in place, SCE will be liable for the cost to remove them.

[~~23~~24] D.18-11-034 at 31.

[~~24~~25] In 2005, the CSLC authorized SCE to partially remove and abandon two conduits in place, subject to permanent disposition requirements that would be established in a future Lease Termination Agreement still being discussed between SCE and the CSLC.28 This requirement is documented in the SONGS 1 conduit lease (Lease No. PRC 3193) which delineates this future removal requirement, in Section 2 (Specific Provisions), Paragraph 10.

Even though the CSLC lease agreement has not been finalized, the estimated cost of the conduit removal liability still must be disclosed in the Utilities' financial statements under Generally Accepted Accounting Principles (GAAP). The fact that GAAP requires disclosure of this liability offers further evidence that the conduit removal costs should be included in the DCE. This treatment is consistent with the directive to include all known or reasonably known costs in the DCE in this proceeding.

4.3. SONGS 2&3 Conduit Removal Costs

4.3.1. Parties' Positions

Cal Advocates also recommends that the 2017 SONGS 2&3 DCE be reduced by $91.6 million to exclude the costs for removal of SONGS 2&3 intake/discharge conduits. Cal Advocates applies similar arguments as offered in support of its recommended exclusion of SONGS 1 conduit removal costs. Cal Advocates asserts that support is lacking to justify SONGS 2&3 conduit removal costs in the DCE. As with SONGS 1, Cal Advocates notes that while the CSLC requires the eventual removal of the conduits at SONGS 2 & 3 via its lease with the Utilities, there is uncertainty because a specific date to complete the removal of the conduits has not been determined.

The Utilities oppose Cal Advocates' recommended disallowance of $91.6 million. SCE argues that the SONGS 2&3 conduits are covered under a lease agreement that has already been executed and that requires SCE to provide a performance guaranty and a separate performance surety bond for SCE's performance of all lease conditions, including removal of the SONGS 2&3 conduits if directed to do so.

4.3.2. Discussion

We conclude that the Utilities have justified including in the DCE $91.6 million of conduit cost removal for SONGS 2&3. The SONGS 2&3 conduit removal raises similar liability issues as do SONGS 1 conduits. While SCE's obligations to remove the SONGS 1 conduits will be re-confirmed in a future Lease Termination Agreement, its obligations to remove the SONGS 2&3 conduits are already confirmed in an existing agreement dated March 21, 2019, from CSLC, the existing SONGS 2&3 lease.

The SONGS 2&3 lease expressly requires that SCE fully remove the conduits if directed to do so by the CSLC. The CSLC lease also requires SCE to provide a $75 surety bond guaranteeing performance of all lease conditions, including removal of the conduits if directed to do so. The requirement for a performance surety bond is further evidence of SCE's obligation to remove the conduits even though the specific timing of removal is not yet known.

During cross-examination of SCE witness Perez, TURN posed questions noting that the CSLC's Final Environmental Impact Report (FEIR) rejected the project alternative to fully remove the conduits. Perez testified that while the FEIR may have reached this conclusion for the currently contemplated decommissioning project, the FEIR does not supersede or eliminate SCE's obligations under the SONGS 2&3 conduit lease.

Because the SONGS 2&3 conduit removal costs are reasonably anticipated based on all of this evidence, even though the specific end date is not yet known, we find that the $91 million should remain in the DCE. SCE should finalize the lease agreement with CSLC in a manner consistent with the FEIR at which point these costs can be removed from the DCE in a future NDCTP application.

4.4. Contingency Allowances

4.4.1. Parties' Positions

The SONGS 2&3 DCE proposed by the Utilities includes a 20% contingency for the DGC contract and a 15% contingency for the contract awarded to Holtec International (Holtec) for Fuel Transfer Operations (FTO). This contract obligates Holtec to license, design, and construct an expanded on-site ISFSI; and to supply, load, and transfer the multipurpose canisters containing fuel assemblies, from the SONGS 2&3 spent fuel pools to the expanded ISFSI.

TURN proposes disallowance of these contingency allowances from the DCE. TURN notes that every fixed price contract already includes embedded contingency added by the contractor. TURN thus argues that the SONGS 2&3 DCE should exclude all added contingency relating to fixed price contracts. TURN characterizes the scopes of the DGC and Holtec contracts as all-encompassing relating to License Termination activities. TURN claims that the only work not covered by the fixed-price DGC contract relates to Spent Nuclear Fuel management, Site Restoration and undistributed costs for oversight, security and administration by SCE and SDG&E. TURN notes that projects executed by utility staff under cost-of-service ratemaking are typically assigned a separate contingency factor to account for performance risks. TURN emphasizes that any additional contingency applied to a fixed price agreement should account, at a minimum, for the acceptance of performance risk by the contractor.

TURN identifies four types of risks for possible inclusion of a contingency within a cost estimate: (1) performance risk, (2) scope risk, (3) regulatory risk, and (4) financial risk. TURN claims that regulatory and financial risks do not

apply to the DCE. TURN argues that regulatory risk is more appropriately considered for purposes of Site Restoration standards governed by State Lands Commission, the Coastal Commission, and the United States Navy. TURN claims there is no financial risk since all the funds have already been collected and are available in the decommissioning trusts. TURN thus proposes the DCE exclude amounts for these additional contingency allowances.[25][26]

If the Commission chooses to allow some contingency over TURN's objections, TURN suggests a lowered allowance. For the Holtec contract, TURN recommends that any contingency be limited to 2.8%. Assuming transfer of performance risk consistent with the 17%-22% estimate provided in the 2011 Independent Panel Report on Nuclear Decommissioning (Decommissioning Report) recommendation previously endorsed by the Commission,[27] TURN claims that the residual contingency to consider assigning to the fixed price defined scope of the DGC contract should be no greater than 3-8%.

The Utilities oppose removal of contingency allowances applied in the SONGS 2&3 DCE for the DGC and Holtec contracts. They characterize TURN's position as in conflict with fundamental contracting principles and widely accepted cost-estimating principles. They dispute TURN's claim that contractors' assumption of risks under the DGC Agreement and Holtec Contract obviates the need for additional contingency in the DCE. The Utilities claim the additional contingency allowances are required to cover potential changes in circumstances or scope due to decontamination and dismantling efforts. Site

[25][26] Ex. SCE-3C, page at 6-8 (during evidentiary hearings SCE counsel clarified that the percentages in•
this table marked as confidential could be discussed publicly so long as the raw dollar numbers•
are not publicly disclosed).

[27] TURN-20 at 40; see also, D.11-07-003 at 25.

conditions may not be as originally assumed and may require additional work, with the Utilities responsible for the cost increases. They claim that changes in the plans or scope with cost increases that must be paid by the Utilities such as new regulatory requirements, litigation, etc., may also be required.

4.4.2. Discussion

We ~~conclude that the 20% and 15% continency allowances, respectively, for the DCG Agreement and Holtec contract are reasonable for inclusion in the DCE and we approve them. We recognize that fixed price contracts include embedded contingency provisions to account for performance risks assigned to the contractor. There must be no double-counting of contingency risks covered by the contractors and the contingency risks reflected in the DCE. We conclude, however, that the contingency allowances in the DCE here do not constitute double counting. They compensate for separate scope and regulatory risks not assigned to contractors under the fixed price scope of the DGC Agreement and Holtec Contract. Unknown site conditions or new regulatory requirements could require changes in plans or scope not covered by the respective contracts.~~

~~The DGC Agreement identifies circumstances that could require a change order paid by the Utilities rather than being absorbed by the contractor. Similar potential risks exist in the Holtec Contract, but at the lower contingency level of 15% given that the ISFSI project is nearing completion. The 15% contingency for the Holtec Contract covers changes in plans or scope for which the Utilities would bear cost responsibilities. Another risk is from litigation by the contractor. As noted by the Utilities, courts and arbitration tribunals sometimes decide to compensate a contractor for significant additional work and costs resulting from material unexpected conditions, notwithstanding contract language that may~~

~~suggest otherwise.[26] We find the Utilities' contingency allowances in the 2017 SONGS 2&3 DCE~~approve contingency allowances of 8% for both the D&D activities (DGC Agreement) and ISFSI-FTO (Holtec contract). While it is appropriate to compensate for separate, unknown scope and regulatory risks not assigned to contractors under fixed price contracts, we find that the Utilities have not met their burden in demonstrating that the proposed contingency allowances for the DGC Agreement and Holtec contract reasonably correspond with the associated level of these risks. The remaining proposed contingency allowances in the 2017 SONGS 2&3 DCE are uncontested, appear consistent with industry guidelines, and are approved.

In the 2015 NDCTP Decision, the Commission indicated that it would not merely rubber stamp a contingency for any nuclear facility under the Commission's jurisdiction, and put the Utilities on notice that the Commission would carefully consider whether to reduce the overall contingency estimates from past levels to account for less uncertainty over time and greater industry experience.[28] In this application, the Utilities have reduced the contingencies applied to the ISFSI Project and DGC Agreement from 25% to 15% and 20%, respectfully.[29] However, the utilities justifications fail to account for the significant transfer of performance risk to the fixed-price DGC Agreement and Holtec contract,[30] and therefore fail to demonstrate why these amounts are reasonable. The Utilities claim that "in determining the contingency factors for each cost grouping, consideration was given to contracting status (e.g., ISFSI and D&D work are under contract), technical complexity, estimating approach, and

~~[26] Joint Reply Brief of the Utilities, pp. 18-19~~
[28] D.18-11-034 at 40.
[29] SCE 15 at 8-9; Utilities Reply Brief at 14-15.
[30] Utilities Reply Brief at 16-17;

other variables."[31] However, the Utilities do not provide a more detailed showing to explain how the 15% and 20% were derived, nor how the amounts correspond with regulatory and scope risks in the remaining ISFSI and Decontamination and Dismantling (D&D) scope of work.

The 2011 Decommissioning Report found that DCEs should consider four types of risk or uncertainty, including: (1) performance risk; (2) scope risk; (3) regulatory risk; and (4) financial risk.[32] The Decommissioning Report also states that cost estimates typically assign a performance risk contingency between 17% and 22%.[33] We are not convinced by TURN's arguments that the DCE should exclude amounts for additional contingency allowances associated with regulatory and scope risks, which contradicts widely-accepted cost-estimating principles, including those in the 2011 Decommissioning Report.

While we agree with the Utilities that it is appropriate to compensate for separate, unknown scope and regulatory risks that are not embedded within the Holtec and DGC fixed-price contracts, we find the Utilities have not sufficiently demonstrated that the proposed 15% and 20% contingency allowance for these contracts is reasonable, and instead approve an 8% contingency allowance for both contracts. This allowance is based on the 25% contingency that was approved for the entire ISFSI scope of work and DGC Agreement in the prior SONGS 2&3 DCE,[34] and subtracting a lower-end estimate of the performance risk contingency referenced in the Decommission Report (i.e., 17%) to reflect that performance and financial risks are now largely embedded within the Holtec and DGC fixed-price contracts.[35] In the next NDCTP application, the Utilities are

[31] SCE-03C, Appendix B at B-48; SDG&E-09 at 6.
[32] See, SCE-03 at 6; TURN Opening Brief at 13-14; D.11-07-003 at 24-25.
[33] D.11-07-003 at 25; TURN Opening Brief at 13.
[34] SCE-15 at 8.
[35] Utilities Reply Brief at 16-17.

encouraged to provide more granular information concerning the status, technical complexity, and estimating approach used to develop an appropriate contingency factor specific to the regulatory and scope risks for each of these contracts.

We decline to adopt TURN's alternative recommendation to apply an allowance calculation of 2.8% for both contracts, on the basis that TURN's calculation incorrectly includes contingency amounts for portions of the project already completed, and applies a contingency amount for one project underway to an unrelated project.

The Utilities' remaining contingency allowances in the 2017 SONGS 2&3 DCE are uncontested, and appear consistent with industry guidelines, such as those of the Association for the Advancement of Cost Engineering (AACE)~~,~~ and principles in the Independent Panel Report that TURN's witness Lacy co-sponsored in the 2009 NDCTP.[27][36] ~~That report stated that "every estimate involving future activities must consider risk" in the adoption of an appropriate contingency, and that contingency costs should be added to estimates in preparation for undefined future events not yet part of the negotiated contract.[28]~~ Further, SCE's expert witness, ABZ's managing director, Nicholas Capik, reviewed the contingency factors in the 2017 DCE and testified that they are reasonable.[29] ~~SCE identified criteria used to determine contingency allowances in the DCE which considered the technical complexity, contracting status, estimating approach, and timing of work scope.[30] Based on these criteria, SCE's experts determined a range of contingency factors for cost categories in the DCE.~~

[27] ~~Exhibit~~ [36] TURN-~~20, pp.~~20 at 40-42; D.11-07-003 (adopting the Independent Panel's recommendations).
[28] ~~Exhibit TURN-20., at 41~~
[29] ~~Exhibit SCE-03C, at 12.~~
[30] ~~Exhibit SCE-03C, at 7.~~

~~For work scopes that have been contracted out, SCE applied lower contingency factors compared to what was in prior DCEs.[31] A lower contingency was applied to over half of the costs in the 2017 DCE. Because the DGC Agreement was new and major decommissioning activities had not yet commenced, a 20 percent contingency on the DGC Agreement was reasonable~~[37] With the adjustments to the ISFSI and D&D contingency amounts described above, the composite contingency factor approved in the 2017 DCE is approximately 17% of the base costs.

~~We do not accept TURN's alternative contingency calculation. TURN suggests that the contingency amount for the Holtec Contract be divided by total project costs yielding a contingency of 5.6%. TURN cuts this figure in half to derive a contingency of 2.8% for both contracts. TURN's calculation would yield contingency amounts for portions of the project already completed and apply a contingency amount for one project underway to an unrelated project.~~

4.5. DGC Schedule Extension Costs

4.5.1. Parties' Positions

TURN ~~notes~~claims that the schedule assumptions in the DGC contract differs from assumptions in the DCE for the same scope of work. For purposes of the 2017 SONGS 2&3 DCE, the Utilities assume a 10-year ~~decontamination and dismantling (D&D)~~D&D performance schedule, from 2019 through 2028. The DGC Agreement, however, assumes only a 7.5-year D&D performance schedule from 2018 through mid-2025.

Although this 2.5-year schedule differential does not affect total payments to the DGC under the fixed-price agreement, it does impact the amount of time-dependent Utility Staff, Service Level Agreements and Non-labor costs that accrue at higher levels during decommissioning. In view of this schedule

~~[31] Exhibits SCE-3 and SCE-3C, at 7.~~
[37] SCE-03C at 12.

difference, TURN recommends that associated costs (primarily 2.5 years of SCE Labor costs) be removed from the 2017 DCE. TURN estimated the impact of these additional costs as between $34.7 and $37.4 million per year or between $104.1 and $112.2 million over the three-year time span. TURN thus recommends a $104.1 million reduction to the DCE to reflect schedule assumptions in the DGC contract.

TURN argues that given the binding schedule commitments embedded in the DGC contract, the Utilities should make conforming adjustments to the DCE to reflect these schedule commitments. TURN argues that this result is consistent with D.18-11-034 which stated that SCE was expected to incorporate DGC contract milestones into the 2018 DCE, where the Commission "will carefully consider whether SCE's contractual expectations from its DGC are aligned with schedule and costs estimates presented in the proposed DCE in the 2018 NDCTP."[~~32~~38]

SCE opposes TURN's recommendation, arguing that the D.18-11-034 guidance should not be construed as a requirement to blindly incorporate the DGC Agreement's schedule into the DCE without consideration of whether doing so makes sense. SCE explains that the 7.5-year schedule in the DGC Agreement reflects the DGC's most-optimistic work plan. SCE agreed to this schedule in the DGC Agreement because if achieved, it will provide customer benefits. To produce a reasonable DCE, however, the Utilities argue, it is prudent to rely on the D&D schedule of 10 years which is reasonable based on industry experience.

[~~32~~38] TURN Opening Brief, at 18

4.5.2. Discussion

We conclude that the Utilities justify use of the 10-year schedule for the DCE. We find no basis to reduce the DCE by $104.1 million, reflecting 2.5 years of undistributed costs, as proposed by TURN. Our disposition satisfies the intent of D.18-11-034 for a showing that SCE's contractual expectations from its DGC are aligned with schedule and costs estimates presented in the DCE.

SCE has provided a satisfactory explanation of the reasons for the difference between the D&D schedule assumptions in the DGC Agreement versus the DCE. The 7.5-year D&D schedule used in the DGC Agreement reflects the DGC's most-optimistic work plan to maximize potential customer benefits. By contrast, the DCE is designed to provide for adequate funding based on industry experience, not necessarily the most optimistic schedule. We find it is reasonable, therefore, to reflect a 10-year schedule in the DCE since it is based on industry experience and reflects risks and uncertainties not considered under the 7.5-year schedule. Prior DCEs assumed that reactor vessel internals (RVI) segmentation, a critical path decommissioning activity, would be performed in series (one unit after the other) over approximately three years. In contrast, the DGC Agreement 7.5-year schedule assumes RVI segmentation will be performed for both units concurrently over 1.3 years which has never previously been successfully completed within the industry. RVI segmentation will be complex and challenging.

In addition, by disallowing $104.1 million as proposed by TURN, any schedule extensions due to delays in the 7.5 year schedule would be deemed unreasonable without any consideration as to why the most-optimistic work plan was not achieved. We find it premature to deem such potential schedule delays unreasonable now before the scheduled reasonableness review of the relevant

recorded costs. The Utilities will be held accountable to demonstrate the reasonableness of the schedule and recorded costs incurred associated with the D&D schedule in a future NDCTP.

For these reasons, we approve use of the 10-year D&D schedule for purposes of setting the DCE and decline to disallow $104.1 million (100% share, 2014 $) for associated undistributed costs as proposed by TURN.

4.6. Decontamination, Demolition, and Disposal Costs

4.6.1. Parties' Positions

SCE incorporated DGC Agreement pricing terms in the 2017 SONGS 2&3 DCE to include costs for Decontamination, Demolition, and Disposal (DD&D). TURN argues, however, that SCE did not appropriately incorporate DGC Agreement pricing terms to develop the corresponding DCE line items. TURN could not tie DCE line items for the DD&D cost category to a corresponding milestone payment listed in Exhibit C of the DGC Agreement. On this basis, TURN recommends reducing the 2017 SONGS 2&3 DCE by $78.5 million~~, thereby eliminating the following items from the DCE: (1) craft labor escalation; (2) notice to proceed delay; (3) additional remediation; and (4) Fuel Transfer Operations (FTO) support~~.

SCE responds, however, that it would be imprudent not to include ~~these obligations in the DCE, especially~~the following items in the DCE: (1) craft labor escalation; (2) notice to proceed delay; (3) additional remediation; and (4) Fuel Transfer Operations (FTO) support. SCE argues these items should be included considering TURN's criticisms of SCE in past proceedings for seeking reasonableness of costs that were not included in a DCE. For example, in Phase 2/3 of A.16-03-004 (the 2015 NDCTP), TURN recommended that recorded costs for certain Undistributed Activities (specifically insurance, NRC fees, and

ground water protection activities) be deemed unreasonable because they were not included in the 2012 DCE (i.e., the DCE used for comparison of the recorded costs). SCE argues that the precedent TURN has tried to set in prior proceedings only increases the importance of including, in the 2017 DCE, the very costs TURN seeks to disallow.

4.6.2. Discussion

We conclude that the Utilities have justified the inclusion of the DD&D cost items and thus decline to adopt TURN's recommended $78 million disallowance. We recognize that not all DGC costs incorporated in the DCE have a corresponding milestone payment term listed in Exhibit C of the DGC Agreement. The DCE, however, must include an estimate for all known scope that is associated with the DGC Agreement, whether there is specific milestone payment for that scope or not. ~~We address TURN's~~Thus, it is not surprising that the DGC costs in the 2017 DCE exceed the milestone payments included in Exhibit C of the DGC Agreement. We fully expect SCE to continue to reflect all financial obligations it has under the DGC Agreement and the reasons they were included in the DCE to ensure its estimate for all known scope that is associated with the DGC Agreement, no matter whether there is a milestone payment for that scope. We address the objections to each of the specific cost elements in the DD&D categories identified as follows.

4.6.2.1. Craft Labor Escalation

We find no basis to disallow the craft labor escalation costs as proposed ~~by TURN~~. The craft labor escalation cost in the 2017 DCE is based on the estimated number of craft labor hours per year, as included in Exhibit JJ of the DGC Agreement. Based on the labor rates of eligible trade unions and forecasted labor

escalation rate, the DCE included $13.2 million (100% share, 2014 $) in the 2017 DCE for craft labor escalation.

The Utilities are responsible to pay the actual escalation related to the DGC's craft labor for eligible trade unions as referenced in the DGC Agreement in Exhibit JJ. Because these costs are based on actual escalation, they are not included in milestone payments listed in Exhibit C. But the costs will be incurred by the Utilities during the project and therefore it is reasonable to include the craft labor escalation costs in the 2017 SONGS 2&3 DCE.

4.6.2.2. Notice to Proceed Delay Date

We also conclude that the DCE appropriately includes $13.8 million under the DGC Agreement which assumed a Notice to Proceed (NTP) date for DGC Phase II of January 2019 (i.e., one year later than the NTP date in the DGC Agreement). The DGC Agreement included the cost of $13.8 million (100% share, 2014 $) in the event the NTP was not issued for January 2018.

TURN argues that the $13.8 million cost for this one-year delay in commencement of activities by the DGC (from January 2018 to January 2019) was a direct result of SCE's failure to timely recognize the need for a Coastal Development Permit (CDP) for the DGC to commence Phase II work. TURN outlined the failure of SCE to recognize, until mid-2015, the need for a CDP as a precondition for beginning active decommissioning at the site. TURN argues that SCE did not offer a satisfactory explanation for its failure to identify the need for early action on permitting to enable decommissioning activities to commence on time. TURN argues that it was not reasonable for SCE to assume the need for these additional delay costs. If the Commission does allow SCE to include these delay payments in the DCE, TURN argues, no additional

contingency should be applied since it represents a contractually defined payment.

SCE responds that the $13.8 million was not included in the fixed price milestones due to its contingent nature. However, while completing the 2017 DCE, SCE knew that it would need to delay the NTP. SCE believes it would have been imprudent to exclude the costs from the DCE knowing that it was evident a delay would be needed, and the costs would be incurred. SCE argues that the costs should therefore be included in the DCE.

We conclude the $13.8 million of costs related to the one-year delay should remain in the DCE. The removal of these costs from the DCE would treat them as being unreasonable prior to the reasonableness review of those recorded costs. We find it premature to deem the costs unreasonable in this phase of the proceeding, which is reviewing only cost estimates. Whether an activity is reasonable for the Utilities to undertake is addressed when the reasonableness of the recorded costs are addressed in a subsequent NDCTP.

4.6.2.3. Additional Remediation Costs

We also find it reasonable to include in the DCE $38.2 million (100% share, 2014 $) for additional remediation (removal and disposal of contaminated material) to reflect that all remaining subgrade structures will be disposed of at a clean waste facility following completion of the DGC Phase II.

We are not persuaded to disallow these costs as proposed by TURN, arguing that these costs were not identified or linked to an existing DGC contract amendment. The Utilities oppose removal of the remediation costs from the DCE arguing that these costs for activities within the scope of decommissioning

TURN characterizes the $38.2 million as being speculative for a potentially non-existent contamination of subgrade structures that could require additional

remediation to be disposed at a clean waste facility. TURN finds no mention of this work in SCE's direct testimony. TURN claims that the 38.2 million is spread across six DCE line items, making it impossible to ascertain the nature or purpose for the work. TURN argues that SCE should not be allowed to bury material cost changes that are difficult to identify absent a forensic review.

In D.18-11-034, the Commission directed SCE to provide a comparison of the 2017 DCE with the two prior DCEs sufficient to allow for an understanding of changes in scope, cost and schedule. TURN questions why SCE did not transparently identify this work in its testimony reconciling the 2014 and 2017 DCEs.

We approve the $38.2 in additional remediation costs in the DCE and find no basis for a disallowance as proposed by TURN. SCE identified the additional remediation costs and provided the Commission's required comparison (variance explanation) in March 2018, in Exhibit SCE-03C. The increase in estimated costs for DD&D activities (DGC Agreement) in the 2017 DCE was due to activities necessary for additional radiological decontamination to achieve lower release criteria and the costs to procure acceptable backfill material. The 2014 SONGS 2&3 DCE assumed a 25 mrem release standard and the 2017 SONGS 2&3 DCE assumed a lower standard.

The additional remediation is necessary to achieve the lower release standard. The costs for additional remediation are more than offset by a decrease in undistributed DGC staffing costs.

The 2017 SONGS 2&3 DCE assumes lower radiological release criteria than utilized in the DGC Agreement. Without the additional remediation assumed in the DCE, the remaining subgrade structures could contain some level of contamination, preventing the material from being disposed at a clean waste

facility. Therefore, SCE included costs for the additional remediation (removal and disposal of contaminated material) plus backfill necessary to achieve the DCE's assumption that all remaining subgrade structures will be disposed of at a clean waste facility. Of this amount, $38.2 million relates solely to the additional remediation activities. Thus, we find no basis to disallow the remediation costs.

4.6.2.4. Fuel Transfer Operations Support

In developing the 2017 SONGS 2&3 DCE, SCE determined that DGC support was required for handling and disposal of waste generated by fuel transfer operations (FTO) which involves Holtec's transferring of fuel from the SONGS spent fuel pools to the ISFSI. The DGC support function was not included in the DGC Agreement and thus not covered by a milestone payment because the need for and cost of the DGC support was not known at the time the DGC Agreement was executed.

The $13.3 million (100% share, 2014 $) included in the 2017 DCE for this work was based on an estimate prepared by Highbridge Associates Inc. (the Independent Third-Party Estimator identified in the DGC Agreement). ~~TURN~~No party offers ~~no~~a sound reason to exclude these costs from the DCE. We find it is reasonable to include the $13.3 million costs for FTO support in the DCE.

4.7. Milestone Framework Amendment

4.7.1. Parties' Positions

In D.18-11-034, a Milestone Framework was adopted which sets out the timing and scope of recorded costs to be considered in each NDCTP. In this proceeding, the Utilities proposed an amendment to the Milestone Framework regarding the review of SONGS 2&3 waste-disposal costs in the NDCTP.

The Utilities submitted joint testimony discussing the reasons for the amendment as well as the specific updates to the Milestone Framework.[~~33~~39] Under the original Milestone Framework, the Utilities would complete a two-step allocation process for the NDCTP reasonableness reviews of waste-disposal costs: (1) allocate estimated waste-disposal costs to DCE distributed activities using formulaic ratios of estimated waste volumes; and (2) allocate recorded costs to distributed activities using formulaic ratios of actual waste volumes. During subsequent reasonableness reviews, the formulaic allocations would result in misleading variances between estimated and recorded costs for specific distributed activities, given the differences between the formulaic allocation of estimated waste volumes and actual results. The DGC schedule and re-sequencing of certain work could aggravate the problem. For example, if the DGC accelerated a waste-generating activity in its schedule, the allocated recorded waste disposal costs would increase compared to the waste-disposal costs allocated in the DCE, potentially creating a large, false, and misleading variance. Recorded costs would show an overrun of the distributed activity when there may have been no overrun. The overrun would solely be due to the allocation of waste-disposal costs unrelated to the activity.

To correct for this problem, the Utilities proposed treating waste disposal as a single project rather than allocating waste disposal costs to multiple distributed projects. Under the Utilities' proposal, the waste-disposal costs would be eligible for reasonableness review in the NDCTP when the Utilities reach waste-removal milestones based upon the volume of waste removed from the site – the first three milestone checkpoints each equal to 250 million pounds

[~~33~~39] Exhibit SCE-SDGE-01 explains the proposed amendment.

of waste and the final milestone checkpoint tied to removal of final waste from the site.

TURN does not oppose the proposed amendment but asks the Commission to clarify that SCE and SDG&E will ultimately be obligated to justify their decision to pursue a strategy of full payment for partial performance. TURN also proposes that SCE be required to report in each NDCTP on the progress of waste removal relative to the total expected amounts associated with the project. If the DGC fails to complete its work after having received all relevant waste disposal payments, TURN argues that the Commission should carefully consider whether to hold SCE and SDG&E responsible for some or all of the unfunded obligation.

The Utilities do not object to providing progress on waste-removal activities, but propose making the updates in the fall and spring advice letters, not in the NDCTP. The Utilities' advice letters already provide updates on in-progress project activities.

4.7.2. Discussion

We find the proposed amendment to the milestone framework reasonable and adopt it. The amendment will result in better clarity of the project costs and performance, and avoid creating false, misleading variances that will hinder the Commission's reasonableness reviews of distributed activities. This approach also maintains the principle that reasonable reviews of waste-related costs should not occur without project performance.

The Utilities will ultimately be responsible for justifying the reasonableness of their wastewater disposal recorded costs within the framework of the NDCTP. We shall also require the Utilities to report on the progress of waste removal relative to the total expected amounts of waste associated with

the project. We authorize this reporting to be made as an element of the Utilities' spring and fall advice letter filings, rather than through the NDCTP.

4.8. Forum to Review DOE Litigation Proceeds

4.8.1. Parties' Positions

TURN provided background and updates on the damage claims filed by the SONGS co-owners with the US Government and settlements obtained for the failure of the US Department of Energy (DOE) to honor its contractual obligation to remove Spent Nuclear Fuel (SNF). TURN recommends moving the review of these damage claims and settlements from annual Energy Resource Recovery Account (ERRA) applications to the NDCTP. TURN argues that this change will allow for consolidated review of interrelated decommissioning issues in one proceeding.

SCE opposes this recommendation, arguing that it would harm customers by substantially delaying the processing of customer refunds for damages awards received from the DOE. SCE submits the damages awards for review in ERRA, an annual proceeding, as opposed to the General Rate Case or NDCTP, which are quadrennial and triennial proceedings, respectively.

TURN disputes SCE's claim regarding delays in processing refunds, arguing that PG&E returns proceeds far more quickly than SCE and submits these exact issues for consideration in its GRC proceedings. PG&E immediately credits all claim proceeds to its Department of Energy litigation balancing account and transfers the funds for return to customers on January 1 of the following year. TURN argues that there is no need for a Commission decision determining the reasonableness of PG&E's actions prior to a return of proceeds to customers. TURN also notes that SCE's witness acknowledged under cross

examination, the delay in returning proceeds to customers through ERRA was approximately two-and-a-half years under the current process.[34][40]

4.8.2. Discussion

We decline to adopt TURN's proposal to transfer the review of DOE damage claims from the ERRA into the NDCTP. We are not persuaded that PG&E's experience with refunding DOE proceeds to customers has any bearing on the preferred procedural forum to use. The fact that PG&E was able to refund DOE damages awards on an annual basis, as argued by TURN, has nothing to do with the procedural forum PG&E used. PG&E reached a settlement with DOE in 2012 that provided for the payment of annual damages awards. An annual DOE settlement, however, is not available for SCE. In any event, the ERRA already provides an annual cycle for scrutiny of DOE damage proceeds. TURN's proposal wouldn't offer faster processing. Moreover, moving this issue into the NDCTP would risk further delays in processing an already time-consuming proceeding and would not promote more expedited return of recovery proceeds to customers.

We also decline to require SCE to track all DOE damages claims to line items within the DCE. As noted by SCE, spent fuel management costs are already tracked by DCE line item and subject to review for reasonableness in the NDCTP. Commission review of damages awards SCE obtains should not result in a second reasonableness review of the underlying SNF costs. We thus find it unnecessary to require SCE to report the damages by DCE line item. There is no line-to-line correspondence between DCE spent fuel management costs and DOE damages awards. Therefore, TURN's recommended format for reporting DOE damages awards would not serve a beneficial purpose and is denied.

[34][40] 101 RT, February 12, at 263.

4.9. Return of Excess Funds

4.9.1. Parties' Positions

TURN recommends that SCE provide an analysis in the next NDCTP regarding the issues associated with removing potentially excess funds from the existing nuclear decommissioning trusts prior to final decommissioning of the SONGS site. TURN argues that significant amounts of ratepayer money already collected for decommissioning may not be needed, and that the Commission should ensure that excess funds come back to customers in a reasonable timeframe to address concerns over intergenerational equity. TURN argues that development of a strategy for the return of excess funds will require significant advance planning, and that SCE and SDG&E should be required to investigate options.

TURN recommends SCE and SDG&E be ordered to provide an analysis in its next NDCTP summarizing issues that need to be addressed to enable the timely return of excess funds from the Nuclear Decommissioning Trusts (NDTs) to customers. TURN recommends that SCE perform an analysis that includes, but is not limited to, the relevance of applicable tax and regulatory requirements enforced by the Internal Revenue Service (IRS) and Nuclear Regulatory Commission (NRC).

TURN also recommends that SCE and SDG&E be ordered to begin reporting their fund balances with allocations to the three main decommissioning objectives: License Termination, Spent Fuel Management, and Site Restoration. TURN claims this will facilitate identifying potentially excess funds.

SCE opposes TURN's recommendation arguing that it is problematic and premature. SCE claims that the Internal Revenue Code (Tax Code) and related Treasury regulations do not specifically allow for withdrawal of potentially

excess funds from the qualified nuclear decommissioning trust (QNDT) prior to final decommissioning of the site. The Tax Code and related Treasury regulations limit withdrawal of funds from a QNDT only for purposes of paying decommissioning costs of the nuclear unit and administrative costs of the trust.

Consistent with these tax provisions, Internal Revenue Service (IRS) Private Letter Rulings 200737001 and 200737002 determined that if perceived excess funds were removed from a QNDT before substantial completion of the related unit, the IRS would use its authority and discretion to disqualify the QNDT "in its entirety." The Treasury regulations define "substantial completion" as occurring "on the date on which all Federal, state, local, and contractual decommissioning requirements are fully satisfied (the substantial completion date)."

4.9.2. Discussion

We decline to adopt TURN's recommendations regarding return of excess funds. Even if the Tax Code or Treasury regulations permitted potentially excess funds to be withdrawn from QNDTs prior to final decommissioning of the site, TURN's recommendation is premature because no funds have been designated as excess. It would be imprudent to identify excess NDT funds until further decommissioning work has been completed. A more accurate analysis of potentially excess funds might be possible after the United States Navy specifies the final site restoration and radiological decontamination standards for SONGS and the work has been completed.

TURN's recommendation also conflicts with NRC guidance that the return of excess decommissioning trust funds will not be allowed until the NRC 10 CFR Part 50 license has been terminated. For SONGS, this will not occur until 2051.[~~35~~41]

[~~35~~41] Exhibit SDGE-09, at 15.

We are not persuaded that the identification of NDT balances for each of the decommissioning cost categories will lead to a better understanding of where excess funds might exist. Identifying potential savings in one category does not necessarily mean that the NDT has excess funds. Under the Decommissioning Act, the Commission must ensure that decommissioning funds are available for the completion of all decommissioning activities. It is consistent with this goal to preserve a perceived surplus in one cost category to offset a potential shortfall in another category.

4.10. Cost Categorization Guidelines

In D.18-11-034, the Commission directed SCE to update its cost characterization structure in the current proceeding to reflect support for Distributed activities. The December 19, 2018, Assigned Commissioner's Scoping Ruling directed the Utilities to provide public workshops and an opportunity for engagement by interested parties in resolving the issue. TURN raised concerns with SCE's failure to make any changes to the categorization of undistributed costs. In the spring and summer of 2019, TURN worked with SCE and SDG&E to develop cost categorization guidelines for forecasting and recording undistributed costs. That collaboration led to a joint proposal for consideration in this phase of the NDCTP.

The Utilities convened workshops in January through March of 2019, followed by conference calls, meetings and exchanges of proposals. The Utilities and TURN reached agreement on the Guidelines in June 2019 and submitted it as a Joint Proposal in this proceeding.

The proposed cost categories are designed to reasonably distinguish between utility staff efforts directly involved in driving SONGS 2&3 decommissioning progress (Distributed Activities) versus staff work not directly

involved in advancing specific projects (Undistributed Activities). The Joint Proposal introduces new cost categorization guidelines that provide better organization, forecasting, and functional bundling of Undistributed Costs. Consistent with the Joint Proposal, the Utilities developed a supplement to the 2017 DCE that includes forecasts of Undistributed Costs according to the new categories and subcategories for 2018-2028.

We find that the Cost Categorization Guidelines as submitted are reasonable and conform to D.18-11-034 directives to develop protocols and guidance for recording staff time designated to distributed activities; define what activities will be considered distributed and undistributed activities; and set forth how costs will be recorded in the future. Accordingly, we adopt the Cost Categorization Guidelines as submitted. We direct the Utilities to utilize the Guidelines in future DCEs to provide annual forecasted costs through the end of the decommissioning project and annual recorded costs for the applicable NDCTP/Milestone Framework period.

4.11. Spent Nuclear Fuel Pickup Deferral

4.11.1. Parties' Positions

TURN takes issue with SCE's strategy to defer the pickup of the Morris, IL fuel until after all spent nuclear fuel (SNF) has been removed from the SONGS site. SCE currently collects these fuel storage costs through generation rates reviewed in ERRA proceedings.

TURN argues SCE's approach will increase total spent fuel storage costs because the cost of storage at the Morris facility is more than twice the cost of storing a comparable quantity of fuel at the SONGS site. TURN argues that SCE is proposing to increase total costs by $110 million and would only accelerate the removal of the last fuel bundles from the SONGS site by a single year (from 2051

to 2050). TURN argues that enforcing the right to have DOE pickup this fuel first would reduce the total quantity of SNF costs paid by ratepayers.

Due to the relatively high cost of leaving SONGS 1 SNF in storage at Morris, TURN witness Lacy recommended that SCE be directed to reexamine the assumption in the SONGS 1 DCE that all SNF is first removed from the SONGS site before any fuel from Morris, IL is removed. If SCE exercises its right to have SONGS 1 SNF in Morris taken first, all the Morris fuel could be removed in the first year of DOE performance. TURN argues that this result would save approximately $5 million per year through 2050. If DOE begins removing fuel in 2024, total savings would be approximately $130 million.

At a minimum, TURN proposes that SCE be directed to provide a more thorough justification for its strategy in the 2021 NDCTP and consider alternatives that reduce overall ratepayer costs.

SCE states that it is seeking to remove the SNF stored at SONGS first in order to recognize a broad range of stakeholders who have advocated removing the fuel offsite from SONGS as rapidly as possible. SCE adds, however, that resequencing does not increase the 2017 SONGS 1 and SONGS 2&3 DCEs in comparison to prior DCEs, albeit it does increase the GE Morris costs that are recovered in SCE's ERRA.

SCE argues that TURN's request is premature in asking that the pick-up strategy issue be addressed in the 2021 NDCTP. Because the assumed DOE start date is 2028, and is likely to be extended in the next DCE, SCE sees no benefit to addressing this issue in the 2021 NDCTP. To the extent the Commission is interested in further information regarding this issue, SCE asks that the issue be deferred until closer to the assumed DOE start date.

4.11.2. Discussion

We recognize the potential cost implications of SCE's strategy, as noted by TURN, but it is premature to require SCE to make a showing on this issue in the next NDCTP. The assumed DOE start date is 2028 to begin performing its contractual obligations to pick-up SNF from commercial reactor sites nationally and could be extended in the next DCE.[~~36~~42] Since spent fuel management and site storage issues are likely to evolve significantly over the next decade, it would not be productive to focus resources on a detailed review of this issue in the next NDCTP. SCE affirms that it expects to pursue full recovery of both SONGS and Morris SNF storage cost, and that there is no "either/or" dichotomy at play, nor implicated by the DCE assumptions regarding DOE performance. Accordingly, we defer consideration of this issue until a subsequent NDCTP cycle closer to the 2028 DOE start date.

4.12. Potential Savings from Navy Lease

4.12.1. Parties' Positions

TURN proposes that SCE be directed to identify the amount of potential savings that would result from a decision by the United States Navy to accept the SONGS site at the conclusion of DGC phase II (assuming that the ISFSI is also removed once all spent fuel has been removed from the site). To date, SCE has not performed calculations of these savings. SCE refused to answer a TURN data request to estimate these savings and explained that it would be difficult and time consuming to estimate the undistributed costs that would be avoided by leaving the SONGS 2&3 substructures in place. TURN argues that given the significance of these potential savings, they should be calculated and highlighted in future DCEs. TURN estimates that the acceptance of the site by the United

[~~36~~42] Exhibit SCE-03C, at B-55.

States Navy without further remediation requirements could result in savings of approximately $635 million ($2014).

4.12.2. Discussion

We decline to require the Utilities to make the calculations of potential savings for purposes of the next NDCTP as TURN has requested. We recognize potential savings could occur in the future from the United States Navy's actions, as noted by TURN. We do not consider the calculation to be necessary for purposes of setting the DCE in the next NDCTP, however, particularly given the administrative burdens and resource constraints involved. At the appropriate time in the future, we expect to address this issue further.

4.13. TURN Proposal for Clarification Regarding Executive Order

4.13.1. Parties' Positions

TURN raises concerns about the ambiguity surrounding the impact of Governor's Executive Order D-62-02 on disposal of clean materials removed from a decommissioned reactor site. TURN argues that this ambiguity raises issues for disposal of clean materials at SONGS and Diablo Canyon. The ambiguity relates to whether any materials, or just those with radioactive contamination above background levels, are prohibited from being disposed at in-state Class III landfills.

TURN argues that the Commission should take the lead, supported by the Utilities, in obtaining clarification from relevant state agencies on in-state burial standards for nonradioactive materials that are removed as part of decommissioning projects, and, if necessary, requesting that the Governor issue a second Executive Order clarifying the requirements relating to in-state disposal of non-radioactive materials produced by decommissioning activities.

4.13.2. Discussion

We decline here to act upon TURN's proposal for purposes of this proceeding. The description of the ambiguity of the Governor's Executive Order and TURN 's proposed Commission actions to resolve the ambiguity raise issues that are beyond the scope of Phase 3 of this proceeding.

4.14. Consolidation of DCEs for all SONGS Units

4.14.1. Parties' Positions

TURN proposes future consolidation of the DCEs for SONGS 1, 2, and 3 into a single estimate for the entire site. TURN notes that the physical decommissioning of SONGS 1 is essentially complete until final site restoration occurs. Ongoing expenses for SONGS 1 are based on shared costs with SONGS 2&3 (notably for storage of spent nuclear fuel). The only substantive remaining Distributed Activity cost relating to SONGS 1 is disposal of the reactor vessel which is already incorporated into the SONGS 2&3 DGC Agreement.

In rebuttal testimony, SCE indicates an interest in developing one document containing the DCEs for SONGS 1 and for SONGS 2 &3 for submittal in the next NDCTP. SCE expresses concerns, however, about the ability to report costs and variances by unit (given the different ownership arrangements). TURN believes that steps towards consolidation would be beneficial given the small remaining costs for SONGS 1, their dependent status on SONGS 2&3 work, and continued reliance on the DGC Agreement to execute most, if not all, onsite work.

4.14.2. Discussion

We recognize the theoretical advantages of consolidating the DCEs for all SONGS units, as explained by TURN, but conclude that ordering consolidation now is premature. The units have separate histories and are in different stages of

decommissioning, and the Utilities must report recorded costs and variances by unit. The consolidation of the DCEs would complicate this reporting.

Furthermore, the Utilities must continue to maintain costs separately, by unit, because the ownership structures of SONGS 1 and SONGS 2&3 are different. Finally, the trust funds are separated by unit and the associated trust fund calculations need to be by unit. In view of these complications, we decline to require DCE consolidation, as requested, in the next NDCTP. We note, however, the Utilities were already planning to develop one document containing the DCEs for SONGS 1 and for SONGS 2&3 for submittal in the next NDCTP. Such a document will consolidate common assumptions but still provide DCE line items by unit, and provide some degree of improvement in our review.

4.15. TURN Recommendations Regarding Schedule Reporting

4.15.1. Parties' Positions

TURN argues that the performance schedule reporting in the Utilities' Advice Letters is deficient with narrative descriptions limited to work to be performed in the upcoming year. TURN recommends that in its semi-annual Advice Letters, SCE be required to include updates on the schedule impacts of performance delays for any Major Project covered by the Milestone Framework. TURN complains that updates on overall schedule consist of only single graphic bars representing very comprehensive scopes of work and does not indicate the latest expectations with respect to timing of completion.

TURN emphasizes the importance of requiring timely reporting on schedule impacts of performance delays for Major Projects covered by the Milestone Framework. TURN believes that timely reporting of delays would

assist the Commission in assessing potential long-term consequences for both schedule and cost.

The Utilities respond that the Commission has considered TURN's recommendation before and ordered parties to meet and confer regarding advice letter reporting requirements related to schedule delays and progress reports on key activities. Following the completion of the meet-and-confer process, the Utilities agreed to provide updates on these issues in their advice letters. They argue that there is no need for the Commission to re-address the issue in its Phase 3 decision, but do not oppose providing updates on schedule delays and claim they have been doing so.

TURN contends that much of the information it has sought is not available, and that many detailed documents that provide information useful to the Commission and regulatory practitioners are not posted on that website. TURN argues that modest improvements in the Advice Letter reporting process could accomplish this objective with minimal additional work for SCE. TURN proposes that the Commission direct SCE to address each amendment that affects cost and schedule as part of the reasonableness review process with the Milestone Framework

4.15.2. Discussion

We acknowledge TURN's concerns relating to decommissioning schedule performance reporting and agree regarding the usefulness of reporting information. Although the Utilities claim that TURN's concerns over schedule reporting have already been resolved through the meet-and-confer process, TURN persists in its disagreement and request for a greater level of detail.

TURN also recommends that as part of future reasonableness reviews, SCE identify each amendment to the DGC contract that affects costs and schedule.

The Utilities respond that they comply with the Commission's NDCTP decisions and already addresses significant variances in their testimony for reasonableness review proceedings of recorded costs. The Utilities agree to augment their current practice to include a discussion of relevant DGC Agreement amendments that produce significant variances, as part of future reasonableness review proceedings, according to the schedule identified in the Milestone Framework. We expect them to honor that agreement. As the Utilities note, however, certain amendments may have a non-material impact in relation to overall DGC Agreement costs, which exceed $1 billion.

4.16. Recommendations of A4NR

4.16.1. Parties' Positions

A4NR presents various criticisms of the Utilities' decommissioning plans and programs, claiming that: (1) SCE's plan to delay commencement of removal of onshore substructures by 18 years is an inadequately considered choice, (2) SCE has a general insensitivity to assuring prompt public access to the fully decontaminated SONGS 2&3 site after release by the NRC for unrestricted use; (3) SCE did not sufficiently think through its decision to specify for its DGC 'a radiological release criteria [sic] that does not exceed 15 millirem per year;'" and (4) SCE's approach taken to the uncertain timing of when spent nuclear fuel will be finally removed from the SONGS site is "troubling."

SCE responds that these issues raised by A4NR are not within the scope of Phase 3 of this proceeding. SCE argues that A4NR does not make specific recommendations as to how their observations impact the DCEs, either through proposed reductions or increases. For these reasons, SCE argues that the Commission need not address or consider A4NR's observations at this time.

SCE also argues that A4NR's observations regarding various elements of the SONGS decommissioning project plan and schedule – the removal of substructures in 2046, the extent of public access following decommissioning, and site release criteria – are issues addressed by other state agencies. The proper proceedings for A4NR to have recommended substantive changes to the SONGS decommissioning project plan and schedule were during the CSLC's review of SCE's lease renewal application for the SONGS 2&3 offshore conduits and the California Coastal Commission's (CCC) review of SCE's application for a coastal development permit (CDP) for SONGS 2&3 decommissioning. In those proceedings, the CSLC certified the Environmental Impact Report (EIR) and the CCC issued the CDP, which allowed for D&D activities to commence. A4NR submitted written comments in both of those proceedings. SCE claims that the NDCTP is not the appropriate forum to consider these issues.

4.16.2. Discussion

Regarding A4NR's assertion that SCE did not sufficiently consider the radiological release criterion in the DGC Agreement, we disagree. The 2017 SONGS 2&3 DCE assumes the SONGS site will be decontaminated to a radiological level that is "as clean as practical" and includes sufficient funding to achieve this level of decontamination. As noted previously, the DCE includes $38.2 million (100% share, 2014 $) for the additional remediation (i.e., removal and disposal of contaminated material).

We find reasonable SCE's approach of adjusting its assumptions for the DOE start date based on the amount of time passed since the last DCE. This approach does not unreasonably inflate the DCE based on speculation. A4NR made a similar criticism of SCE's approach in the 2014 SONGS 2&3 DCE

proceeding. There, we found SCE's approach reasonable since no other party offered an alternative date with persuasive analysis.

We agree with SCE that the remaining issues raised by A4NR are beyond the scope of this proceeding, and thus, we need not resolve them here. As SCE notes, various elements of the SONGS decommissioning project plan and schedule, as identified by A4NR, are subject to the jurisdiction of other ~~state~~government agencies and processes. However, we note that while the Utilities have presented DCEs reflecting the requirements adopted by other government agencies, they are expected to adapt and modify future DCEs to reflect changes in site operations, economic conditions, available technology, and regulations.[43]

The Utilities express no objection to submitting testimony providing a detailed discussion and evaluation of the recommendations of the ISFSI Experts Team and accompanying strategic plan. The Utilities affirm that they will do so in either the 2021 or 2024 NDCTP, pending completion of the plan.

4.17. Compliance with Prior Decisions

Decision 18-11-034 directed the Utilities to demonstrate in the next NDCTP that they have complied with prior Commission NDCTP decisions. The Utilities submitted testimony regarding its compliance efforts, and no party has objected to them. We find that the Utilities have complied with all applicable provisions and directives of prior Commission NDCTP decisions.

4.18. Extending Due Date for Next NDCTP

We grant the request of Cal Advocates in their opening brief asking that the filing date for the next NDCTP be moved from May 2021 to May 2022 triennial filing. As Cal Advocates notes, this extension will allow SCE and

[43] See, D.16-04-019 at 16; see also, Cal. Pub. Util. Code §§ 8326 and 8327.

SDG&E to prepare the next filing more accurately and to realize any costs differentials that may impact ratepayers.

We accordingly extend the application filing date for the next NDCTP to May 1, 2022. This extension will provide an opportunity for SCE and SDG&E to incorporate the impacts of the instant decision in their next DCEs before they are required to submit the next NDCTP application.

5. Comments on Proposed Decision

The proposed decision of the Commissioner in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on November 18, 2021, by A4NR, TURN, and the Utilities and reply comments were filed on November 22, 2021, by A4NR, and on November 23, 2021, by TURN and the Utilities. In response to comments on the proposed decision, corrections and clarifications have been made throughout this decision as appropriate. These are explained in the decision and we direct the parties to the provisions we have included. For example, the Utilities point out that ordering paragraph 2 omit details of the approved recorded costs, and TURN correctly points out that the contingency factors for the D&D and ISFSI activities should be adjusted. The remaining Comments of A4NR and TURN do not focus on factual, legal, or technical errors in the proposed decision, but instead re-argue issues raised during the proceeding where they disagree with the outcome.[44] Nonetheless, we address them here.

A4NR again seeks to "compel[] stronger guidance from the Commission to SCE and SDG&E regarding the content of the next NDCTP filing" with respect to

[44] See, Rule 14.3.

the "radiation standard" considered in the DCE. As explained above, we did consider A4NR's request and found the specifics to be beyond the scope of this proceeding. However, we do clarify that future DCE submissions should reflect any changes in site operations, economic conditions, available technology, and regulations.

TURN first challenges the expenditure of $13.8 million for DGC selection costs because they are greater than the 2014 DCE estimate. However, as explained above, we weighed all the evidence presented and found the selection costs reasonable, and that the "resulting variances in estimated-versus-recorded costs are adequately explained." We considered the evidence presented by TURN and do not find it compelling. We have said many times that "[a]ccurately forecasting the cost of an activity does not necessarily lead to the conclusion that the particular activity is reasonable or even needed. The utilities have the burden to demonstrate that all their nuclear decommissioning expenditures reflect appropriate actions at a reasonable cost."[45] Here, the utilities have met their burden to show the expenditure of $13.8 million for DGC selection is reasonable.[46]

TURN next challenges $66.3 million of $82.5 million in payments to the DGC for 2017 staffing costs because they are greater than the 2014 DCE estimate, duplicate existing programs, and come prior to a review of the entire DGC contract for reasonableness. As explained above, "[t]he amount paid by SCE for DGC Staffing costs in 2017 matches what the DGC was owed under the payment schedule for the milestones completed in 2017," and the DGC "did everything it was obligated to do under the DGC Agreement, prior to making the milestone

[45] E.g., D.16-04-019 at 17, D.18-11-034 passim.
[46] See, TURN-01 at 9 ("There may be merit in ensuring that adequate time and resources were devoted to this effort.").

payments." As noted above "the utilities have the burden to demonstrate that all their nuclear decommissioning expenditures reflect appropriate actions at reasonable cost."[47] Here, the utilities have met their burden to show the entirety of the $82.5 million in payments to the DGC for 2017 staffing costs are reasonable. The variances in estimated-versus-recorded costs are adequately explained, and TURN's arguments otherwise are not compelling. Further, TURN's claims of duplication are without merit. It is not surprising that a contractor taking on the functions enunciated in the DGC agreement would "replace … existing programs"[48] as that is the purpose of the DGC agreement. To not have some sort of transitory process to get the contractor up to speed and in operation is likely risky and potentially imprudent. Further, there is no evidence of any actual duplication of effort. TURN cites to milestone management programs that it claims, "SCE had in place when SCE was operating the SONGS site," and the fact that the DGC "companies should have programs in place that would be either immediately usable or easy to quickly adapt to new requirements" as evidence of duplication.[49] However, TURN does not provide any details as to the work performed by SCE or the DGC, and thus it does not provide a means to verify its allegation of duplication. Further, the fact that the DGC could perform the work does not mean it should receive no compensation for doing the work. Finally, the DGC contract was not and need not presented for reasonableness review. "The reasonableness of the 2016-2017 SONGS 1 and SONGS 2&3 recorded decommissioning costs" is the scope of our review. We have considered TURN's arguments for engaging in a broader review, and based on our statutory requirements and our continuing

[47] E.g., D.16-04-019 at 17, D.18-11-034 passim.
[48] TURN-01C at 40.
[49] Id.

determination that the utilities remain responsible for all decommissioning activities whether conducted by utility employees or a contractor, we find no reason to expand the scope of our review in this proceeding. Further, contrary to TURN's claim,[50] there is no automatic finding of reasonableness in the decision. The costs shown by SCE were reviewed and have been subject to reasonable review. We can and do evaluate the costs presented without looking at the entire contract. The contract may help frame the discussion, but it does not govern or control our evaluation. In addition, while each case is determined on its own merits, we have not ignored our prior decisions, and our evaluation is consistent with prior decisions in NDTCP proceedings. There is no question that SCE is responsible for the work. To be reimbursed for its costs, SCE must and has shown that the work done by the DGC was performed at a reasonable cost to ratepayers.

TURN next challenges the inclusion of "conduit removal costs" in the DCE. SCE admits it made a mistake in the 2005, 2009, and 2012 DCEs by not including an estimated cost for removal of the SONGS 1 conduits that remain intact below the seafloor.[51] The lease amendment did not extinguish that liability, and the "inadvertent omission" of the liability from prior DCEs does mean that SCE is prevented from including it now in its revised DCE.[52] SCE has shown that including the forecasted conduit removal costs provides a more accurate forecasting of the current DCE. While this may not be our preferred result, it is the correct one in this case. The conduit removal is an obligation under the current leases and is therefore properly included in the DCE. However, SCE should finalize the lease agreement with CSLC in a manner

[50] TURN Opening Comments on the Proposed Decision at 4.
[51] SCE-15 at 2-4.
[52] Id.

consistent with the FEIR at which point these costs can be removed from the DCE in a future NDCTP application.

TURN also argues for eliminating or reducing the 20% contingency related to D&D activities and the 15% contingency related to the FTO. TURN claims that the DGC contract removes the performance risk component from the calculation of the overall contingency risks and that the previously adopted 25% contingency should be eliminated or be no more than 8% in this DCE. TURN argues that "[a] fixed price defined scope contract should represent a cost with a high degree of confidence that most or all costs have been contained inside the contract thereby minimizing or eliminating the need for contingency."[53] Further, TURN defines contingency as "a standard part of cost estimation where additional costs are added to take into consideration costs that are expected to be incurred but are difficult to pinpoint at the time the estimate is made."[54] The challenge here in eliminating the contingencies is that as work has yet to begin, and as is normally expected in large contracts, contract amendments have already been made to address additional effort required to meet the required contract end state.[55] Thus, there is already some level of scope change that is occurring and should be accounted for in a contingency factor.

However, agree that a more significant reduction in the contingency factors, compared to the prior NDCTP, for the D&D and ISFSI activities is warranted to appropriately reflect the reduced risk present "at the time the estimate [was] made." We also agree that over time these contingency factors

[53] TURN-17 at 13:20-22.
[54] Id. at 13:11-13.
[55] See, id., at 27 (sixteen amendments to the DGC agreement between the submission of phase 2 testimony and the submission of phase 3 testimony a year later, eight of which increased payment milestones). While we note the existence of these contract amendments here, there is no determination that they are reasonable as the costs have not been presented for review, see infra (utilities burden to demonstrate costs are reasonable).

should continue to shrink as the scope of the contracts are fully defined, but at this point in time SCE has not justified the contingency figures it proposed. We accept TURN's reasoning for reducing the contingency from the figures adopted in the previous NDCTP proceedings to remove the factor related to performance risk. While the contract shifts some of the performance risk, it does not remove it entirely from the calculation at this time, and thus we adopt the lower end of the range of performance risk contingency amounts, seventeen percent.[56] Thus, while TURN's proposal to eliminate the contingency for the D&D and ISFSI activities must be rejected, we agree that some reduction is warranted. Even if the entire performance risk is removed, TURN made clear that activities included in the contingency still exist, e.g., scope risk, regulatory risk.[57] Therefore, it is reasonable to include some level of contingency for the DGC and ISFSI activities at this time. Accordingly, changes to the decision have been made in response to TURN's comments. We also encourage SCE to closely examine these contingencies in its next NDCTP filing.

TURN also restated its concern about the misalignment between "the 10-year assumed duration of decontamination and dismantling (D&D) in the DCE with the DGC contract schedule of 7.5 years." TURN claims that aligning "the DGC contract schedule into the DCE would result in a $104.1 million reduction for undistributed utility costs."[58] However, TURN also notes that an update to the DGC payment milestones "shows these dates extended by one year. This appears to be the result of Amendments 28, 29, and 31 which deal with delays in starting Phase 2."[59] In other words, the time to complete the DGC contractor activities appears to already have been extended, and given that the

[56] See, TURN-20 at 40.
[57] See, TURN 17 at 15, SCE-03 at 6-7.
[58] TURN Opening Comments at 10.
[59] TURN-17 at 17.

work has just begun, allowing for additional time to complete the entire project is prudent. As noted above, SCE provided a satisfactory explanation to distinguish the difference between the D&D schedule assumptions in the DGC Agreement versus the DCE. The 7.5-year D&D schedule used in the DGC Agreement reflects the DGC's most-optimistic work plan to maximize potential customer benefits. By contrast, the DCE is designed to provide for adequate funding based on industry experience, not necessarily the most optimistic schedule. As noted above, the DGC Agreement 7.5-year schedule assumes RVI segmentation will be performed for both units concurrently over 1.3 years which has never previously been successfully completed within the industry. This type of complexity is an example of why it is prudent to allow for a 10-year estimated schedule at this early point in the decommissioning project. Further, as explained above, it is premature to deem such potential schedule delays unreasonable now before the scheduled reasonableness review of the relevant recorded costs. The Utilities will be held accountable to demonstrate the reasonableness of the schedule and recorded costs incurred associated with the D&D schedule in a future NDCTP.

Finally, TURN raises a number of issues that were dismissed as beyond the scope of the proceeding. Specifically TURN seeks to have the Commission "assist in resolving the ambiguity surrounding state requirements governing the disposal of clean (uncontaminated) materials," resolve "the adequacy of the liability cap and dispute resolution provisions in the DGC contract," and "direct SCE to quantify all of the incremental cost impacts, both direct and indirect, resulting from delays in the commencement of active decommissioning." TURN claims that because a settlement adopted in D.21-09-003 adopts an "identical recommendation" that we must therefore adopt it in this proceeding. Putting

aside that settlements adopted by the Commission have no precedential value and that each case is decided on its own merits, there is no need or benefit to be obtained to expand the scope of this proceeding to reach the conclusion TURN seeks. The action TURN seeks is already occurring (the Settling Parties in D.21-09-003 are asking the Commission to ask the jurisdictional agencies to clarify whether clean materials … may be disposed of in a Class III, Class II or Class I landfill in California). Further, as this issue (resolving the ambiguity surrounding state requirements governing the disposal of clean (uncontaminated) materials) is out of scope we do not have a record upon which to know if there is any benefit to disposal of clean (uncontaminated) materials within or outside of the state, and thus have no basis to form a recommendation in this proceeding. As to the second issue TURN raises, as noted above, the DGC contract was not presented in this proceeding and thus evaluation of "the adequacy of the liability cap and dispute resolution provisions in the DGC contract" is beyond the scope of our current review. Finally, TURN has not shown anything other than SCE was wrong when it believed that no CDP was needed to proceed with active decommissioning.[60] TURN has not shown SCE was anything other than mistaken, and that SCE could not explain why it waited to initiate any environmental review. All we know is that the start of the environmental review was delayed, TURN has not shown the delay was unreasonable or that SCE's prior belief that no review was needed was unreasonable. Therefore, there is no reason to mandate a quantification of all the impacts because of the delay. Further, the value of speculating about alternatives not taken has little merit given where we are at in the

[60] TURN Phase 2 Opening Brief at 29-32.

decommissioning process. We can only determine the facts presented and cannot and should not speculate as to alternatives not available today.

6. Assignment of Proceeding

Marybel Batjer is the assigned Commissioner and Robert Haga[37][61] is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Southern California Edison Company and San Diego Gas & Electric Company are obligated to decommission San Onofre Nuclear Generating Station (SONGS) Units 1-3, as holders of NRC licenses and their retail customers are required to provide funding of the costs to decommission SONGS.

2. To meet the statutory mandate to protect ratepayers and shareholders from decommissioning-related financial risks, the Commission conducts its review of nuclear decommissioning costs and activities through the Nuclear Decommissioning Cost Triennial Proceeding.

3. SCE and SDG&E have shown that $1.93 million of recorded 2016-2017 costs for SONGS Unit 1 decommissioning are reasonable.

4. SCE and SDG&E have demonstrated the reasonableness of $310.1 million (100% Share, 2014 $) for SONGS Units 2&3 recorded 2016-2017 costs for SONGS 2&3 decommissioning consisting of: (a) $27.2 million (100% Share, 2014 $) for major distributed cost projects completed during 2016-2017 and (b) $ 282.9 million (100% Share, 2014 $) for 2016-2017 undistributed costs.

5. SCE and SDG&E have demonstrated that the annual contributions to SONGS 1 and SONGS 2 &3 Nuclear Decommissioning Trusts (NDTs) should be maintained at $0.00 based upon current level of funding of the respective SONGS 1 NDTs, forecast returns on the NDTS, and projected escalation rates.

[37][61] By Notice of Reassignment dated October 11, 2019, this proceeding was reassigned to Administrative Law Judge (ALJ) Robert W. Haga.

6. SDG&E has demonstrated the reasonableness of $0.2 million (2014$) of SONGS 1 and $58.9 million (2014$) of SONGS 2&3 for its share of Decommissioning Costs billed by SCE for the 2016-2017 review period, allocated as: (a) $0.2 million for SONGS 1 undistributed activities; (b) $3.6 million for SONGS 2&3 Major Projects; and

~~(b~~(c) $55.3 million for SONGS 2&3 undistributed activities, and $7.4 million in SDG&E-only decommissioning costs are reasonable.

~~7. SCE recorded $27.2 million (100% Share, 2014 $) for 2016-2017 SONGS 2&3 completed major projects: (1) Select DGC; (2) Spent Fuel Pool Islanding; and~~

7. ~~8. (~~SCE recorded $27.2 million (100% Share, 2014 $) for 2016-2017 SONGS 2&3 completed major projects: (1) Select DGC; (2) Spent Fuel Pool Islanding; and Transition Modifications Phase 2. These activities were necessary to meet regulatory requirements, prepare for decommissioning, and reduce or eliminate unnecessary costs.

8. ~~9.~~ Out of $282.9 million (100% Share 2014 $) for 2016-2017 undistributed costs recorded by SCE, $200.4 million was not challenged by any other party.

9. ~~10.~~ The recorded costs for the DGC selection activity of $13.8 million are reasonable and in line with costs for similarly large and complex procurements.

10. ~~11.~~ The proposals by TURN relating to decommissioning schedule performance and DGC Agreement Terms are beyond the scope of Phase 2 as they are not tied specifically to recommendations regarding a 2016-2017 recorded cost.

11. ~~12.~~ There is no evidence to indicate anything inherently unreasonable in the decision of SCE to change course to pursue selection of a DGC even though a different alternative might have been pursued.

12. ~~13.~~ No basis has been shown to disallow $10.8 million as proposed by Cal Advocates, or to disallow $13 million as proposed by TURN relating to DGC selection costs.

13. ~~14.~~ SCE provided a reasonable explanation for the significant variance between the 2016-2017 recorded costs of $13.8 million for DGC selection compared with the $0.8 million previously adopted decommissioning cost estimate.

14. ~~15.~~ SCE acted reasonably in spending $234,000 for an independent legal review of the DGC solicitation process to confirm that the process was implemented appropriately and fairly and to mitigate against potential lawsuits.

15. ~~16.~~ SCE has demonstrated the reasonableness of its 2017 SONGS Unit 1 decommissioning cost estimate (DCE) of $209.0 million (100% share, 2014 $).

16. ~~17.~~ SCE and SDG&E has demonstrated the reasonableness of their 2017 SONGS Units 2&3 DCE of $4,479 million (100% share, 2014 $).

17. ~~18.~~ SDG&E has demonstrated the reasonableness of its estimate of $45.9 million (SDG&E share, 2014 $) for its share of the 2017 DCE.

18. ~~19.~~ No basis has been shown to reduce the 2017 DCE by $66.3 million (100% Share, 2014 $) relating to DGC staffing cost payments, as proposed by TURN.

19. ~~20.~~ No basis has been shown to reduce the 2017 SONGS 1 DCE by $34 million to eliminate SCE's estimate for SONGS 1 intake/discharge conduit removal.

20. ~~21.~~ No basis has been shown to reduce the 2017 SONGS 2&3 DCE by $91.6 million to exclude the costs for the SONGS 2&3 intake/discharge conduit removal.

21. ~~22.~~ SCE and SDG&E demonstrated that estimated costs for full removal of intake/discharge conduits for SONGS 1 and for SONGS 2 &3 constitute liabilities that should be recognized in the DCE.

22. ~~23.~~ Although SONGS 1 Lease Termination Agreement negotiations have not been finalized, as contemplated in D.18-11-034, SCE remains liable for conduit removal as long as any portion of SONGS 1 conduits remains abandoned.

23. ~~24.~~ Even though a specific date has not been determined for the final removal, SCE's obligations to remove the SONGS 2&3 conduits are confirmed in the existing Lease Termination Agreement submitted in this proceeding.

24. SCE and SDG&E demonstrated that contingency allowances for the DGC contract and the Holtec International contract for Fuel Transfer Operations are reasonable.

25. TURN's proposal to remove part of the performance risk component from the contingency allowances for the DGC contract and the Holtec International contract for Fuel Transfer Operations is reasonable.

26. ~~25. No basis has been shown to exclude from the~~A 2017 SONGS 2&3 DCE contingency ~~allowances~~allowance of ~~20~~8% for the DGC contract and ~~15~~8% for the Holtec International contract for Fuel Transfer Operations is reasonable.

27. ~~26.~~ Contingency allowances embedded in the existing fixed price provisions of the DGC and Holtec contracts do not cover the entire range of risks faced by the Utilities. The contingency allowances included in the DCE reasonably compensate for these additional risks not covered under those contracts.

28. ~~27.~~ No basis has been shown to reduce the 2017 SONGS 2&3 DCE by $104.1 million, as proposed by TURN, to reflect lower undistributed costs based on the 7.5 year-schedule assumptions in the DGC agreement.

29. ~~28.~~ The 7.5-year schedule referenced in the DGC Agreement reflects the DGC's most-optimistic work plan. It is reasonable to reflect a schedule of 10 years in the 2017 DCE, however, based on actual industry experience.

30. ~~29.~~ No basis has been shown to reduce the 2017 SONGS 2&3 DCE by $78.5 million for the Decontamination, Demolition, and Disposal Cost Category relating to: (1) craft labor escalation; (2) notice to proceed delay; (3) additional remediation; and (4) Fuel Transfer Operations support. These cost elements warrant inclusion in the DCE as they are within the scope of the DGC Agreement, whether there is a specific milestone payment tied to each work element or not.

31. ~~30.~~ The parties' joint proposal for Cost Categorization Guidelines provides better organization, forecasting and functional bundling of Undistributed Costs.

32. ~~31.~~ Adoption of the proposed Cost Categorization Guidelines will ensure logical allocation of undistributed costs between utility staff and contractors who are advancing decommissioning (Decommissioning Project Oversight) versus the costs of standing in place (Site Costs and A&G Support Costs) if decommissioning does not progress.

33. ~~32.~~ The Milestone Framework adopted in D.18-11-034 established specific performance milestones for the progress of SONGS 2&3 decommissioning and

34. ~~33.~~ made the reasonableness review of Distributed Costs (work accomplished that physically advances the progress of decommissioning) associated with the performance milestone.

35. ~~34.~~ The proposed amendment to the Milestone Framework for reasonableness reviews of SONGS 2&3 decommissioning costs for waste-disposal activities will improve clarity of project costs and performance, and avoid creating false, misleading variances that hinder the Commission's reasonableness reviews.

36. ~~35.~~ SCE and SDG&E have demonstrated compliance with prior Commission decisions in the Nuclear Decommissioning Costs Triennial Proceeding.

37. ~~36.~~ Moving the review of Department of Energy damage claims and settlements from the annual Energy Resource Recovery Account (ERRA) applications to the NDCTP would increase the scope of an already time-consuming proceeding and would not promote more expedited return of recovery proceeds to customers.

38. ~~37.~~ It is reasonable for SCE and SDG&E to augment their current practice to include a discussion of relevant DGC Agreement amendments that produce significant variances, as part of future reasonableness review proceedings, according to the schedule in the Milestone Framework.

39. ~~38.~~ It would be premature to identify excess Nuclear Decommissioning Trust funds until further decommissioning work has been completed. A more accurate analysis of excess funds might be possible once the United States Navy specifies the final site restoration and radiological decontamination standards for SONGS and the work has been completed.

40. ~~39.~~ Since spent fuel management and site storage issues are likely to evolve significantly over the next decade, it would be premature to require SCE to make a detailed justification of its strategy to defer the pickup of the Morris, IL fuel until after all spent nuclear fuel has been removed from the SONGS site.

41. ~~40.~~ It is premature to require consolidation of the DCE for all SONGS units at this time given the complications that would be involved due to differences among the units regarding ownership interests and the stage of decommissioning, among other things.

42. ~~41.~~ The proposals of TURN to resolve the ambiguity surrounding the impact of Governor's Executive Order D-62-02 on disposal of clean materials removed from a decommissioned reactor site raises issues beyond the scope of this proceeding.

43. ~~42.~~ A4NR's arguments regarding various elements of the ~~SONGS 1~~ decommissioning project ~~plan~~plans and ~~schedule~~schedules – the removal of substructures in 2046, the extent of public access following decommissioning, and site release criteria – involve issues subject to the jurisdiction of other ~~state~~government agencies, and are beyond the scope of this proceeding.

44. ~~43.~~ SCE and SDG&E express no objection to submitting testimony providing a detailed discussion and evaluation of the recommendations of the ISFSI Experts Team and accompanying strategic plan, and affirm to do so in the soonest available NDCTP, pending completion of the plan.

45. ~~44.~~ Discharging the Commission's duty to review decommissioning costs pursuant to Pub. Util. Code §§ 451 and 8327 requires that SCE file after-the-fact reasonableness reviews of expenditures for decommissioning SONGS Units 1, 2 and 3 in the Nuclear Decommissioning Cost Triennial Proceedings.

46. ~~45.~~ Discharging the Commission's duty to review decommissioning costs as pursuant to Pub. Util. Code §§ 451 and 8327 requires that when SCE completes a major component of nuclear decommissioning for SONGS Units 2 &3, SCE should submit a comprehensive showing as to the reasonableness of the

decommissioning activities and costs tied to line items in the Decommissioning Cost Estimate in the NDCTP consistent with the Milestone Framework.

Conclusions of Law

1. The applicable standard of review for the Application filed by SCE and SDG&E in this proceeding is one of reasonableness, specifically whether the decommissioning cost assumptions are reasonable, decommissioning activities are reasonable and prudent, and proposed customer contribution requirements result in just and reasonable rates.

2. The burden of proof is on the Joint Applicants, SCE and SDG&E, to demonstrate the reasonableness the recorded 2016-2017 expenses incurred for decommissioning activities and the reasonableness of their 2017 estimates of decommissioning costs for SONGS Unit 1 and Units 2&3.

3. The standard of proof applied in this proceeding is that of a preponderance of evidence, which means such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.

4. SCE and SDG&E, has satisfied their burden of proof as to the reasonableness of (a) recorded 2016-2017 expenses incurred for decommissioning activities and (b) the reasonableness of the prospective 2017 estimates of decommissioning costs for SONGS Unit 1 and Units 2&3, respectively, as presented in their showing in this proceeding.

5. SDG&E has satisfied the burden of proof to demonstrate that its proposed share of total recorded 2016-2017 recorded SONGS decommissioning costs and its share of total 2017 estimated decommissioning costs are reasonable.

6. SCE and SDG&E have satisfied the burden of proof that their respective annual customer contributions should be maintained at $0.0 for the SONGS 1 and SONGS 2&3 Nuclear Decommissioning Trusts, respectively.

7. The proposals by Cal Advocates and TURN for deferral and/or disallowance of (a) 2016-2017 recorded decommissioning costs and (b) for 2017 decommissioning costs estimates have been considered under the applicable rules of evidence, but do not provide a basis for adoption.

8. The proposals presented by A4NR have been found to be outside the scope of this proceeding and need not be resolved for purposes of this decision.

9. SCE and SDG&E have satisfied the burden of proof warranting approval of their proposed amendment to Milestone Framework for reasonableness reviews of SONGS 2&3 decommissioning costs for waste-disposal activities.

10. SCE and SDG&E have satisfied the burden of proof warranting approval of their proposed Cost-Categorization Guidelines submitted in this proceeding.

11. The United States federal government has exclusive jurisdiction to license the transfer, delivery, receipt, acquisition, possession, and use of nuclear materials; states retain traditional responsibilities in the field of regulating electrical utilities for determining questions of need, reliability, cost, non-radiological safety, and other related concerns.

12. The California Nuclear Facility Decommissioning Act of 1985 established a regulatory framework to ensure adequate financial resources for safe decommissioning of California's nuclear power plants and mandates that the California Public Utilities Commission adopt regulations and guidelines to protect ratepayers and shareholders from decommissioning-related financial risks.

13. Under the California Nuclear Facility Decommissioning Act of 1985, each electrical utility owning, in whole or part, or operating a nuclear facility, located in California or elsewhere, must provide the Commission with periodic decommissioning cost estimates which include descriptions of changes in

regulation, technology, and economics affecting the estimate, descriptions of additions and deletions to the facility, and all assumptions about the remaining useful life of the facilities.

14. Assumptions suitable for high level cost estimation purposes do not compel the same assumptions by the utilities when considering the prudency and reasonableness of future actual decommissioning decisions and resulting costs.

15. Pub. Util. Code § 451 requires safe operation of an electric system. It is a long-standing and continuing responsibility, not a one-time obligation,

16. There is no presumption of reasonableness as to cost elements where the actual costs are no greater than the amount reflected in the DCE. All cost elements are subject to a reasonableness review.

17. SCE remains responsible for all decommissioning activities whether conducted by SCE employees or a contractor.

18. It is reasonable to affirm applicable Commission policy and practice as to review of proposed DCEs and reasonableness of completed decommissioning activity costs incurred consistent with this decision.

19. SCE and SDG&E are in compliance with applicable directives of prior Commission NDCTP decisions.

20. In order for SCE and SDG&E to be able to incorporate the results of the instant decision, the due date for their next joint NDCTP application filing to May 1, 2022.

21. The proceeding should be closed upon adoption of this decision.

O R D E R

IT IS ORDERED that:

1. The recorded 2016-2017 decommissioning costs of: (1) $1.93 million (100% Share, 2014 $) as presented by Southern California Edison Company and San Diego Gas and Electric Company for San Onofre Nuclear Generating Station (SONGS) Unit 1; and $310.1 million (100% Share, 2014 $) for SONGS Units 2&3 are hereby approved as reasonable.

2. The recorded amount of $0.2 million (2014$) of SONGS 1 and $58.9 million (2014$) of SONGS 2&3 Decommissioning Costs billed by Southern California Edison Company to San Diego Gas and Electric Company for the 2016-2017 review period, allocated as: $0.2 million for SONGS 1 undistributed activities; $3.6 million for SONGS 2&3 Major Projects; and $55.3 million for SONGS 2&3 undistributed activities, and $7.4 million in SDG&E-only decommissioning costs are hereby approved as reasonable.

3. The 2017 Decommissioning Cost Estimate (DCE) of Southern California Edison Company and San Diego Gas & Electric Company for San Onofre Nuclear Generating Station (SONGS) Unit 1 of $209.0 million (100% share, 2014 $) and the SONGS Units 2&3 2017 DCE of $4,479 million (100% share, 2014 $), respectively are hereby approved as reasonable.

4. San Diego Gas & Electric Company's (SDG&E) 2017 Decommissioning Cost Estimate (DCE) of $45.9 million (SDG&E share, 2014 $) for SDG&E-only decommissioning costs is approved as reasonable.

5. Southern California Edison Company and San Diego Gas & Electric Company shall use the DCE values adopted in this decision for all decommissioning planning for the respective San Onofre Nuclear Generating Station units.

6. Southern California Edison Company and San Diego Gas & Electric Company are authorized to maintain their respective annual customer contributions at $0.00 for San Onofre Nuclear Generating Station Unit 1 Nuclear Decommissioning Trust and at $0.00 for San Onofre Nuclear Generating Station Units 2&3 Nuclear Decommissioning Trust,

7.

8. The proposed amendment to the Milestone Framework for reasonableness reviews of SONGS 2&3 decommissioning costs for waste-disposal activities is hereby approved.

9. The proposed Cost-Categorization Guidelines submitted in this proceeding are hereby approved. Southern California Edison Company and San Diego Gas & Electric Company shall utilize these Guidelines to provide future Decommissioning Cost Estimates through the end of the decommissioning project and annual recorded costs for the applicable Milestone Framework period.

10. Southern California Edison Company and San Diego Gas & Electric Company shall augment their current practice to include a discussion of relevant DGC Agreement amendments that produce significant variances, as part of future reasonableness review proceedings, according to the schedule identified in the Milestone Framework.

11. The Utility Reform Network proposal is denied for transfer from the annual Energy Resource Recovery Account (ERRA) applications to the NDCTP the review and processing of damage claims and settlements regarding the Department of Energy contractual obligation to remove Spent Nuclear Fuel.

12. The due date for filing the next joint application in the Nuclear Decommissioning Cost Triennial Proceeding is extended to May 1, 2022.

13. All outstanding matters or actions requested by any party not specifically addressed herein are deemed denied for purposes of this Nuclear Decommissioning Cost Triennial Proceeding.

14. Application 18-03-009 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

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