

MD2/avs 8/9/2011



FILED

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company in its 2009 Nuclear Decommissioning Cost Triennial Proceeding (U39E).

Application 09-04-007
(Filed April 3, 2009)

(CONSOLIDATED)

Joint Application of Southern California Edison Company (U338E) and San Diego Gas & Electric Company (U902E) for the 2009 Nuclear Decommissioning Cost Triennial Proceeding to Set Contribution Levels for the Companies' Nuclear Decommissioning Trust Funds and Address Other Related Decommissioning Issues.

Application 09-04-009
(Filed April 3, 2009)

ADMINISTRATIVE LAW JUDGE'S REVISED RULING DIRECTING UTILITIES TO DEVELOP ASSET ALLOCATION STUDY FOR NUCLEAR DECOMMISSIONING TRUST FUNDS

On June 13, 2011, an ruling was issued by Administrative Law Judge (ALJ) Melanie M. Darling, that directed Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Pacific Gas and Electric Company (PG&E) to assure that their respective nuclear decommissioning trust fund committees undertook an expert asset allocation study for the Qualified Trust Funds according to the scope set forth in Attachment to the ruling.

PG&E, SCE, and SDG&E previously agreed, during Phase 2, that each would have an asset allocation study performed to consider various impacts on the Trust Funds if a portion of the funds were to be invested in one or more specified new and expanded asset classes. Each submitted a proposed scope for the asset allocation study which identified expanded and new asset classes, described modeling methodologies, and identified other policy considerations. Based on the information provided and other considerations, the scope for the proposed asset allocation studies was developed and attached to the June 13 ruling. The ruling provided that the contract could be performed by the expert(s) who conducted a utility's previous asset allocation study.

On July 11, 2011, the utilities jointly served a proposal to break the study into two phases: (1) asset class feasibility analysis and impact of relaxing current investment restrictions, and (2) plant specific liability analysis to take into account the unique circumstances of each plant. Included was a proposal prepared by Callan Associates, Inc., which has performed prior asset allocation studies for the nuclear decommissioning trust funds. The all-inclusive estimated cost to perform Phase 1 of the analysis is \$120,000.00, approximately \$30,000.00 less than anticipated by the prior ruling, excluding any plant specific analyses.

A telephonic status conference was held on July 12, 2011 that was attended by representatives of all three utilities, DHK Associates, and other interested persons. During the status conference, the ALJ and others discussed the proposal to determine whether it achieved the goals of the original ruling.

I am persuaded that the first phase of the asset allocation study, which would focus on the overall feasibility and potential impact on funding assurance of employing new asset classes, is better done jointly by all the utilities. The basic feasibility issues are the same among the utilities as each has similar

A.09-04-007, A.09-04-009 MD2/avs

ATTACHMENT