

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
I. D. #5670
ENERGY DIVISION **RESOLUTION E-3985**
June 15, 2006

R E S O L U T I O N

Resolution E-3985. San Diego Gas & Electric Company requests approval of the *reappointment* of Donald H. Straszheim to the Committees of its Nuclear Decommissioning Qualified and Non-Qualified Master Trusts for San Onofre Nuclear Generation Stations.

Request Approved.

By Advice Letter 1772-E Filed on February 10, 2006.

SUMMARY

SDG&E's nomination of Donald Staszheim is approved.

This Resolution confirms the *reappointment* of Donald Straszheim to serve on the San Diego Gas & Electric Company's [SDG&E] Nuclear Facilities Decommissioning Master Trust Committees [Committees] for an additional five-year term.

BACKGROUND

The Commission opted for externally managed trust funds to accrue nuclear decommissioning trust funds.

In Order Instituting Investigation 86, the Commission conducted an extensive investigation into alternative methods of financing the cost of decommissioning the nuclear power plants owned by California's investor-owned utilities. In Decision [D.] 87-05-062, the Commission adopted externally managed trusts as the medium for accruing decommissioning funds. In that Decision, the Commission also established guidelines for the trust agreements.

In response to D.87-05-062, SDG&E established two trusts for its nuclear decommissioning funds. One trust was established as the means to hold the decommissioning funds from contributions which qualify for an income tax

deduction under Section 468A of the Internal Revenue Code [the Qualified Trust], and the other was to hold the remaining funds [the Non-qualified Trust].

The Committee's non-affiliated members must be confirmed by the Commission.

By Resolution E-3060, dated November 25, 1987, the Commission approved SDG&E's Master Trust Agreements. The Trusts were initially funded in December of 1987. Under the Trust Agreements, the Committees, consisting of five members nominated by SDG&E's management and confirmed by its Board of Directors, are responsible for directing and managing the Trusts, including the appointment of trustees and investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest the Trusts' assets. The Trust Agreements also provide for five members for the Committees; three non-affiliated and two affiliated with SDG&E. The non-affiliated members are required to be confirmed by the Commission and serve five-year terms.

As of September 1, 2006, Mr. Straszheim will have completed a five-year term as a non-affiliated Committee member. SDG&E's Board of Directors confirmed his re-nomination for a 2nd term on February 1, 2006.

NOTICE

Notice of AL 1772-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

AL 1772-E was not protested.

DISCUSSION

This will be Straszheim's 2nd nomination.

Donald Straszheim has indicated his willingness to serve on the Committees, for a second term, if confirmed by the Commission as shown in his Declaration dated February 1, 2006, attached to AL 1772-E.

Straszheim has outstanding economic analysis background.

The statement of Mr. Straszheim's qualifications, also attached to the Advice Letter, shows that since 2003, he has been the Chief Executive Officer of Straszheim Global Advisors, a firm focused on China and the US and global economies. Prior to that, since July 1, 1997 he had been the President of Milken Institute, a not-for-profit economic research center. In the past Mr. Straszheim has served as chief economist for Merrill Lynch & Co for about twelve years [from 1985 to 1977], and worked at Wharton Econometrics, where he ran computer models of US operations and was also employed as chief economist at Weyerhaeuser Company, among others.

Mr. Straszheim earned his Ph.D. in economics from Purdue University in 1971.

Straszheim has no conflict of interest.

The attachment to the Advice Letter notes that Mr. Straszheim has no current or past relationship with SDG&E that could possibly be perceived as creating a conflict with his acting independently in the Trusts' best interest.

Straszheim is suitable for the nominated position.

The Energy Division believes that Mr. Straszheim could be counted on to demonstrate independence, competence, and integrity while serving on the Committees. As a non-affiliate Committee member, he will represent the ratepayers and the public who are intended to be the ultimate beneficiaries of the Trusts. The Energy Division recommends approval of Mr. Straszheim's reappointment to the Committees.

Current compensation arrangements are adequate.

The Energy Division notes that the Trust Agreements, in Article 3.06, state

Each committee member who is not an employee, officer, director, or otherwise an agent of the Company shall be entitled to reasonable fees and/or compensation for their services hereunder. At the time a nominee's name is furnished to the CPUC, the company shall furnish to the CPUC a statement in writing setting forth all proposed fee and/or compensation arrangements with such nominee. The fee and/or compensation arrangements shall be subject to approval of the CPUC.

SDG&E's proposed fee for the nominee in AL 1772-E is \$8,000 per annum and \$500 per meeting, as established in Resolution E-3740 on July 12, 2001. Having

explicitly determined them reasonable, we see no reason to object to them at this time and will allow them to continue.

COMMENTS

This is an uncontested matter, which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise 30-day period for public review and comment is waived.

FINDINGS

1. SDG&E filed AL 1772-E on February 10, 2006 requesting reconfirmation of Donald H. Straszheim to its committees of nuclear decommissioning trust funds for another 5 year term starting on September 1, 2006.
2. In D.87-05-062, the Commission required externally managed trust funds to finance the decommissioning of nuclear power plants.
3. The Trust Agreements authorized in Resolution E-3060 provide that a Committee shall direct and manage the Trusts and perform all duties, including the appointment of trustees and investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest such assets.
4. The Trust Agreements require that SDG&E nominate the outside [non-company] members of the Committees and submit their names to the Commission for confirmation.
5. Mr. Straszheim is well qualified and willing to serve on the Committees.
6. The fee and compensation arrangements currently applicable to non-company Committee members were established in Resolution E-3740 and should continue to apply to the reappointment of Mr. Straszheim.
7. There is no opposition to AL 1772-E.
8. Straszheim's renomination should be confirmed.

THEREFORE IT IS ORDERED THAT:

1. The nomination of Donald H. Straszheim to serve as a non-company member of San Diego Gas & Electric Company's Nuclear Facilities Decommissioning Master Trusts Committees for a term of five years starting on September 1, 2006 is hereby approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 15, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director