

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



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Joint Application of Southern California  
Edison Company (U 338-E) and San Diego  
Gas & Electric Company (U 902-E) For the  
2021 Nuclear Decommissioning Cost  
Triennial Proceeding.

Application No. 22-02-016

**PUBLIC WATCHDOGS REPLY TO THE JOINT RESPONSE OF SOUTHERN  
CALIFORNIA EDISON COMPANY (U 338-E) AND SAN DIEGO GAS & ELECTRIC  
COMPANY (U 902-E) TO PUBLIC WATCHDOGS NOTICE OF INTENT TO CLAIM  
INTERVENOR COMPENSATION**

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## **I. Introduction**

On June 17, 2022, Administrative Law Judge Elaine Lau granted Public Watchdogs' motion via email to file and serve a reply to the Joint Response to Public Watchdogs Notice of Intent to Claim Intervenor Compensation.

Public Watchdogs respectfully tenders this Reply to Southern California Edison Company (SCE) and San Diego Gas and Electric (SDG&E) (collectively “the Utilities”) joint response to Public Watchdogs’ Notice of Intent (NOI) to the California Public Utilities Commission (Commission).

## **II. Interest in this Proceeding**

In compliance with Rule 1.4.b Public Watchdogs is a 501(c)3 California non-profit representing the interests of all Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E) utility ratepayers.

## **III. INTERVENTION OF PUBLIC WATCHDOGS IS NECESSARY IN THIS PROCEEDING TO ENSURE THAT RATEPAYER INTERESTS ARE REPRESENTED**

The Utilities have argued that Public Watchdogs intends to evaluate issues that are outside the scope of this proceeding. In this document we will explain why this argument is in error.

The joint response claims that two issues of the many identified by Public Watchdogs in its NOI are beyond the scope of the proceeding. In addition, the Utilities claim that “Public Watchdogs

did not object to these scoping issues when they were presented at the Prehearing Conference.”

In response, we argue that the Commission’s approval of a forensic examination grants Public Watchdogs a wide latitude into its investigation.

### **1. The Commission should decide what is relevant, not the Utilities**

Consumer groups such as Public Watchdogs lend legitimacy to Commission proceedings by providing a truly independent participant and observer in the ratemaking process. Yet in the Joint Response, the Utilities are making a clumsy effort to limit, and even censor a legitimate line of inquiry. It is their intent to force the Commission to review their spending through the Utilities’ narrow and carefully controlled funnel by imposing excessive limits on the scope of the hearing. In this respect the Utilities are attempting to finesse the Commission into voluntarily wearing blinders.

### **2. Public Watchdogs is assuming all of the risk**

Public Watchdogs is acutely aware that the Commission will not award intervenor compensation for its work on issues outside the scope of the proceeding. As a small public benefit charity, Public Watchdogs lacks access to the type of extravagant legal resources that the Utilities are able to muster. If we pursue issues that the Commission determines to be irrelevant, then we will not be granted intervenor compensation. Therefore, Public Watchdogs is deeply motivated to avoid issues that are outside the scope of this proceeding.

### **3. Forensic analysis requires a historical review of expenses**

During the Prehearing Conference Public Watchdogs stated that it would use forensic analysis in its review of the reasonableness of the Utilities' requests. Forensic analysis requires a retroactive, *historical* examination of a corporation's finances. According to [The Corporate Finance Institute](#), "Forensic accounting is the investigation of fraud or financial manipulation by performing extremely detailed research and analysis of financial information."<sup>1</sup>

This "extremely detailed research" requires investigators to examine expenditures in a both a comparative and historical context. This is why the 2014 Decommissioning Cost Estimate (DCE) is a vitally important tool for examining the validity of recent costs, and why an examination of past expenses may also be vital to a current forensic review. Again, if the Commission decides that our work is outside the scope of this proceeding, then Public Watchdogs will be denied compensation.

Moreover, past Decommissioning Cost Estimates (DCEs) are the bedrock foundation upon which the current cost estimates have been developed. The Utilities do not want these issues explored, and have claimed (erroneously), that past histories have no effect on future expenditures.

### **4. Edison has mischaracterized the Public Watchdogs' NOI ...**

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<sup>1</sup> See Exhibit A in the EXHIBITS section of this document

The Utilities' first objection is inaccurate. Specifically, that a '*conflict of interest*' related to EnergySolutions' 2014 Decommissioning Cost Estimate (DCE) was a "supposition" on our part. Contrary to the Utilities assumption, Public Watchdogs is well-aware that the 2020 SONGS 2 & 3 DCE preparer is The Kenrich Group, an HKA Company (aka Kenrich).

Public Watchdogs has closely monitored Edison's presentations regarding the bidding, funding, and subsequent award to their Decommission General Contractor (DGC) since 2016. We've done this with Edison's reporting of its Decommissioning Trust Fund, (DTF), in public Community Engagement Panel (CEP) meetings, as well as in our reviews of cost estimation and analysis documentation required by the NRC throughout the SONGS decommissioning process.

We are aware that Kenrich was contracted to conduct the 2017 DCE during the same timeframe that EnergySolutions and AECOM formed a Joint Venture to serve as SONGSolutions; SONGS Unit 2 and 3 Decommissioning General Contractor.

EnergySolutions' 2014 DCE not only included "***SONGS Prompt DECON Base Case, 2024 DOE (Dept. of Energy) Acceptance, Dry Storage,***" but they also detailed "***Item Description(s)***" such as the "***Building Demolition***" which has been underway during the Utilities' current triennial review. Additionally, EnergySolutions' 2014 DCE included in its "**Base Case**" such "**Item Description(s)**" as the "**Decommissioning General Contractor Staff,**" and also estimating to a level of detail including but not limited to; "**Decommissioning General Contractor's Labor, Equipment, Disposal and even a Contingency.**"

Public Watchdogs is well prepared to show that EnergySolutions' 2014 DCE not only became comprehensively integrated into SCE's Post-Shutdown Decommissioning Activities Report (PSDAR), as required by the Nuclear Regulatory Commission, (NRC), but as such EnergySolutions' 2014 DCE projected its influence of line-item budgets and cost comparisons of subsequent DCEs including that of Kenrich.

To that point, on September 23, 2014, Southern California Edison's (SCE) Chief Nuclear Officer, Tom Palmisano, drafted a public document that accompanied EnergySolutions' 2014 Site Specific Decommissioning Cost Estimate (DCE) which indicated that:

**“Future filings with the California Public Utilities Commission will be based on the SONGS, Unit 2 and 3 DCE and subsequent revisions.”**

Palmisano also elaborated that ***“The descriptions of decommissioning activities and phases in the (2014) DCE are consistent with those described in the PSDAR.”***

EnergySolutions' DCE also analyzed the **“technical approach”** to SONGS 2 and 3 Decommissioning including, but not limited to, ***“Decommissioning to be performed by a Decommissioning General Contractor (DGC) with oversight by SONGS participants.”***

- In accordance with the Nuclear Regulatory Commission (NRC), SCE was required to submit the following:
  - Irradiated Fuel Management Plan (IFMP)
  - Site Specific Decommissioning Cost Estimate (DCE)
  - Post-Shutdown Decommissioning Activities Report (PSDAR)

Palmisano added that:

- EnergySolutions was contracted by SCE *‘to furnish an estimate of the costs for’*:
  - Decommissioning SONGS 2 and 3
  - Post-shutdown management of Spent Fuel until accepted by U.S. Department of Energy (DOE); (estimated at that time to be 2024)
  - Demolition of Uncontaminated structures and site restoration
  - Independent Spent Fuel Storage Installation (ISFSI) decommissioning

EnergySolutions estimated the costs for “the technical details” in its 2014 DCE. This cost estimate also mirrored the PSDAR’s activities for *‘Decommissioning to be performed by a Decommissioning General Contractor (DGC) with oversight by SONGS participants.’*”



That Decommissioning General Contractor for SONGS Unit 2 and 3, currently known as SONGSolutions, is a Joint Venture formed by the SONGS 2014 decommissioning cost estimator, EnergySolutions and AECOM.

Public Watchdogs implores the Commission to consider that, by its very definition, a “*conflict*” is, “*a protracted serious disagreement,*” meaning “... *a conflict that lasts for a long time or longer than expected or usual*’.

**Public Watchdogs intends to demonstrate that the protracted conflict of interest, not only reaches back to the 2014 EnergySolutions Decommissioning Cost Analysis of the San Onofre Nuclear Generating Station Units 2 & 3, but also transcends into the triennial timeframe that is now under review by the Commission.**

Public Watchdogs also contends that the conflict in question directly relates to the Utilities Joint Application list of scoping issues that encompass the ‘*reasonableness of the (SCE’s) 2020 DCE for Units 2 & 3.*’ And while, we believe, The Utilities are entitled to their opinion regarding an obvious conflict of interest, Public Watchdogs contends that the “*interest*” within the conflict is not held solely by the Utilities. The ‘*interest*’ in question is also shared by the ratepaying public who have -- and are being held responsible -- for billions of dollars of decommissioning costs instead of Edison’s stockholders.

Energy Solutions was the Cost Estimator. As the Cost Estimator, Energy Solutions also won the

contract it originally estimated. We believe the Commission's scrutiny of these transactions is warranted and fair.

#### **IV. Notice**

Service of notices, orders, and other correspondence in this proceeding should be directed to Public Watchdogs at the address set forth below:

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#### **V. Conclusion**

For the reasons stated above, Public Watchdogs respectfully requests that the Commission reject the Utilities' Joint Response.

Dated: June 23, 2022

Respectfully submitted,

/s/ Charles Langley

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## EXHIBIT

**Exhibit A:** Definition of Forensic Accounting from the [Corporate Finance Institute](https://bit.ly/39SoaKW) at <https://bit.ly/39SoaKW>



[Home](#) > [Resources](#) > [Knowledge](#) > [Accounting](#) > [Forensic Accounting](#)

# Forensic Accounting

An extremely detailed research and analysis of financial information



Written by [CFI Team](#)  
Updated February 20, 2022

## What is Forensic Accounting?

Forensic accounting is the investigation of fraud or [financial manipulation](#) by performing extremely detailed research and analysis of financial information. Forensic accountants are often hired to prepare for litigation related to insurance claims, insolvency, divorces, embezzlement, fraud, [skimming](#), and any type of financial theft.

### Forensic Accounting



### Preparing for Trial

