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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

PRESIDENT JOHN REYNOLDS, in attendance
COMMISSIONER DARCIE L. HOUCK, in attendance
COMMISSIONER MATTHEW BAKER, in attendance
COMMISSIONER KAREN DOUGLAS, in attendance
COMMISSIONER CHRISTINE HARADA, in attendance

ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE
ZITA KLINE, in attendance

ADMINISTRATIVE LAW JUDGE ANDREA McGARY, presiding

Joint Application of Southern California	)	ORAL ARGUMENT
Edison Company (U 338-E) and San Diego	)	
Gas & Electric Company (U 902-E) for the	)	
2024 Nuclear Decommissioning Cost	)	Application
Triennial Proceeding.	)	24-12-003

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Reported by: Karly Powers, CSR No. 13991
Jacquelyn Haupt, CSR No. 13964

PUBLIC UTILITIES COMMISSION, STATE OF CALIFORNIA
SAN FRANCISCO, CALIFORNIA

INDEX

SAN FRANCISCO, CALIFORNIA

AUGUST 10, 2026 - 1:05 P.M.

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ADMINISTRATIVE LAW JUDGE McGARY: We can go ahead and go on the record.

Welcome, everyone, we're called to order. This is the time and place for the oral argument in Case Number A.24-12-003, the Joint Application of Southern California Edison Company and San Diego Gas & Electric Company for the 2024 Nuclear Decommission Cost Triennial Proceeding.

My name is Andrea McGary. I'm the assigned Commission- -- assigned administrative law judge -- I gave myself a promotion -- the assigned administrative law judge (sic) is the Honorable Darcie Houck, who's seated next to me.

There is a quorum of commissioners here today. But the quorum is three of five the -- all five commissioners are here, actually. But there will be no decisions made today.

Commissioner -- President John Reynolds is present. Commissioner Matthew Baker is present. Commissioner Karen Douglas is present. Commissioner Christine Harada is present. And Commissioner Darcie L. Houck is present.

Prior to going on record, we did play emergency instructions. Please do familiarize yourself with the exits in the event -- hopefully, in the non-event that an emergency does happen.

We are being transcribed today. But we are not being recorded or video-ed, but we are being transcribed by our court reporters Jacquelyn Haupt and Karly Powers. Thank you so much. Please, for the benefit of our court reporters, please do speak slowly and clearly. I have to remind myself of that often. And the first time you speak, please state and spell your last name.

If you have a cell phone, please do silence it. And please also note, only one person at a time should speak to allow the court reporters to take down everything that is said today.

The purpose of today's oral argument is pursuant to the Commission's Rules of Practice and Procedure, Rule 13.14 -- sorry.

Does everyone hear me okay?

Sorry about that.

Rule 13.14(B), a party in a ratesetting proceeding may request oral argument before a quorum of the Commission, provided any such motion is filed no later than the deadline for opening briefs. Intervenor Association for Nuclear Responsibility, timely filed a motion for oral argument, which was granted on June 30, 2026.

The category of this proceeding is Ratesetting. Accordingly, all Rule 8 -- Commission Rule 8, regarding ex-parte communications and communications with decision-makers, please do familiarize yourself with that.

I'm going to briefly just let -- preview our agenda. For anyone who joined us later, there are also printed copies of the agenda in the back table (inaudible).

So, with that, we're called to order. We're now going to move on to introductory remarks by Commissioner Houck. Thereafter, I'll give a short procedural overview. Then we will move on to initial statements by the parties, and then response to initial statements. Then we'll take a short break. And then there will be a commissioner question-and-answer period. Then we'll move on to Joint Applicants' final statement. And then we will adjourn.

So, having previewed that, we now like Commissioner Houck -- will now make our introductory remarks.

COMMISSIONER HOUCK: Good afternoon. I'm going keep my remarks brief. As the judge indicated, we're here today for the oral arguments for Application 24-12-003, the Joint Application of Southern California Edison and San Diego Gas & Electric for Nuclear Decommissioning Triennial proceeding. I want to thank the parties for their robust and active participation in the proceeding. And I want to thank Judge McGary for her management of the proceeding, and my fellow commissioners for being here today for the oral argument.

And, with that, I will turn it back over to the judge as we're here to hear from the parties today. So, thank you.

ALJ McGARY: So, I will make it as brief as possible, as well.

Again, I note that there's an agenda on the table in the back. There's also a facts sheet for the proceeding, if you don't want to take notes about what we're here for today.

So, big picture for our proceeding is: The CPUC is a state agency that regulates privately-owned utilities, like Southern California Edison and San Diego Gas & Electric -- which from time to time we will refer to as SCE and SDG&E -- which provide essential services for electric, gas, and water. The five commissioners, including Commissioner Houck, are the people who vote and decide on the application. I, as the ALJ, will review the applications based on the evidence presented and the applicable law. I draft a proposed decision for the commissioners to consider. The commissioner will vote to adopt my proposed decision or an alternate decision, if put forth by a commissioner.

We'll move on to a quick procedural overview, as -- today the parties will be -- excuse me -- arguing the scoped issues in the proceeding. But the proceeding itself was initiated on December 6, 2024. The subject matter of the proceeding is the CPUC Nuclear Decommissioning Cost Triennial proceeding, which we'll also shorten to NDCPT from time to time.

And this is a review and determination of the reasonableness of decommissioning cost estimates, decommissioning activities, and actual decommissioning costs incurred for the 2021 review period -- which is January 1, 2021, to December 31st, 2023. And we will be reviewing for plants owned by regulated utilities SCE and SDG&E, respectively, related to San Onofre Nuclear Generation Station, which we do sometimes refer to as SONGS, Units 1, 2, and 3; and as to SCE only, the Palo Verde Nuclear Generation Station, sometimes PVNGS or Palo Verde Units 1, 2 and 3. (Inaudible) excuse me -- and Palo Verde is co-owned by Southern California Edison and the Arizona Public Service. Our Commission does not regulate the Arizona Public Service.

The applicants are SCE and SDG&E. Parties who filed protests and responses and became parties in the proceeding, which we from time to time refer to as intervenors, are: The Utility Reform Network, TURN, the Alliance for Nuclear Responsibility, acronym A4NR, the Public Advocates Office of the California Public Utilities Commission, Cal Advocates.

A scoping memo was issued on June 3rd, 2026 -- excuse me -- June 3rd, 2025. The assigned commissioner's scoping memo can be found on the Commission's website.

There were public participation hearings held on July 16th and July 17th of 2025. There was also a site visit to SONGS that occurred on July (inaudible) 2025.

This proceeding is currently -- the evidence process by party stipulation is by a document-only evidence process, which means there was no in-person or no evidentiary hearing -- excuse me. The final exhibits in this proceeding can be found on the Commission's website as well. A shortcut to that is Appendix A to the January 13, 2026, Administrative Law Judge's Ruling Entering Stipulated Exhibits Into the Evidentiary

Record. Again, that can be found on the Commission's website in the docket for this proceeding at cpuc.ca.gov.

Today's oral argument was set pursuant to my June 30, 2026 ruling granting A4NR's motion for oral argument and setting in-person oral argument and related dates for today, August 20, 2026 at 1:00 p.m.

The scope limits of the oral arguments have -- are limited -- the proposed decision has not been yet been mailed. The arguments today are limited to scoped issues. The issues to be determined or otherwise considered, there are 13 of them -- I won't recite them on the record, but they are in the assigned commissioner's scoping memo. If we -- during oral argument, we need to do so or need to interrupt, we will do so.

Now that I've given a procedural overview, we'll take appearances from the parties. Let's start with San Diego Gas & Electric -- I mean, excuse me -- Southern California Edison Company.

MR. JERMAN: Good morning, commissioners and good morning, Judge McGary. My name is Ryan Jerman, and I'm appearing on behalf of Southern California Edison Company. And with me is Frederic Bailly, who's our Vice President of Generation and Chief Nuclear Officer. And

Mr. Bailly will be providing SCE's opening comment.

ALJ McGARY: Thank you.

I'll move on to San Diego Gas & Electric.

MR. WAIDELICH: Good afternoon, commissioners and ALJ McGary. Thank you again for your time today.

I'm Chris Waidelich, Senior Counsel at SDG&E. I'll be representing SDG&E today.

ALJ McGARY: Thank you.

And we'll move on to -- I have -- I'm a very short person. Apologies.

TURN. Counsel for TURN, please make your appearance.

MR. FREEDMAN: Thank you, your Honor. Matthew Freedman, Senior Staff Attorney with The Utility Reform Network.

ALJ McGARY: Thank you, Counsel Freedman.

And, A4NR, Alliance for -- oh, no. Sorry. I skipped you, Counsel Parker.

Cal Advocates Office?

MR. PARKER: Thank you, your Honor and commissioners. My name is Wayne Parker, spelled P-a-r-k-e-r, and I'm the attorney representing Cal Advocates in this proceeding.

ALJ McGARY: Thank you.

And last but not least, Counsel Geesman, for

Alliance for Nuclear Responsibility?

MR. GEESMAN: Thank you, Judge McGary and commissioners. John Geesman, attorney for the Alliance for Nuclear Responsibility. And I will refer to the alliance primarily as A4NR.

ALJ McGARY: I tried to pay you some respect, it's a lot of words. But at least we got it on the record one time with all those words.

Okay. So I think -- are there any questions, before we move on to initial statements?

MR. JERMAN: Your Honor, I did have just one thing I wanted to note. Mr. Bailly needs to leave a little bit early. So, he may leave shortly after his opening comment. And I just wanted to note that, for the record.

ALJ McGARY: Okay. That's fine.

Thank you, Mr. Bailly. Safe travels.

Okay. So let's get started with our initial statements. We'll start with SCE.

(Crosstalk.)

ALJ McGARY: Oh, I'm sorry. I think we had a discussion, and it was decided that the parties would make their statement from the seats rather than the podium. So it may look a little different, but that's how we're doing it today.

ARGUMENT BY MR. BAILLY

Thank you. Good afternoon. I would like to thank the Commission and Judge McGary for the opportunity to address you regarding SCE's and SDG&E's 2024 Nuclear Decommissioning Cost Triennial Proceeding.

My name is Frederic Bailly, and I'm the Vice President for Generation and Chief Nuclear Officer for SCE, with responsibility for the safe decommissioning of the San Onofre Nuclear Generation Station, or SONGS.

As you are aware, the utilities are using existing trust funds, established through customers' contributions over the operating life SONGS to pay for both the decommissioning activities and spent fuel management, ensuring that those funds remain adequate to meet future obligations, these fundamental objectives of this proceeding, and an important responsibility shared by the utilities and the Commission.

The central issue before the Commission is straightforward: How to ensure adequate funding for spent fuel management at SONGS, as long as the U.S. Department of Energy continues to delay performance of its obligations to remove that fuel. The utilities' position is equally straightforward: The Commission should continue its prior directive, that DOE litigation proceeds be disposed into the nuclear decommissioning trust and used for spent fuel management.

This approach is prudent, because it addresses financial consequences of the continued delay using that -- using funds that are directly related to the Federal government's failure to perform. And it also helps preserve trust adequacy without requiring future generations of customers to bear costs resulting from delays that are beyond the utilities' control.

The facts supporting that approach have not changed. In 1983, the utilities entered into a contract with the U.S. Government and The Department of Energy, where DOE agreed to begin removing fuel in 1998. Nearly three decades after, DOE still has not began removing fuel from San Onofre or from any other nuclear plant in the United States. And as a result, 123 spent fuel canisters are being safely stored at SONGS. And approximately -- and 270 fuel assemblies are remaining in storage in Morris, Illinois. Maintaining that fuel comes at a cost. The SONGS participants spend annually, approximately, $32 million to manage and maintain that fuel.

The current decommissioning cost estimate assumes DOE would begin ac- -- accepting spent fuel in 2034 and complete removing in 2054. However, the Commission has seen this pattern before. Since 2014, each Triennial proceeding has incorporated additional delays in DOE performance. While many assumptions in a decommissioning cost estimate change from one cycle to the next, one fact has remained constant: DOE continues to delay fulfillment of its obligation.

We can safely manage the fuel, maintain the facilities, perform decommissioning, prudently administer the trusts. What we cannot control is when the Federal Government directly fulfills its obligation to accept and remove the spent fuel. As a result, the utilities remain exposed to the risks that DOE performance will again be delayed beyond the assumptions used in the current decommissioning plan. That risk is important, because SCE's trust contains funding for spent fuel only through 2054. And if DOE delays beyond that, additional funding would be required.]

The Commission recognized this issue in the last NDCTP and adopted a prudent solution. It directed that future DOE litigation proceeds be deposited into the nuclear decommissioning trust and dedicated to spent fuel management. That decision remains sound today.

Importantly, the Commission's prior directive has not yet been implemented because DOE litigation remains unresolved. When the 2021 NDCTP was filed, a Round 4 -- Round 5 claim valued at approximately

$168 million was pending. That claim remains unresolved today. The circumstances that led the Commission to adopt its prior policy, therefore, remains unchanged.

And continuing that policy also protects customers. If litigation proceeds are not used to support future spent fuel management costs, additional customer collections may eventually be required. Depositing litigation proceeds into the trust helps avoid that outcome and supports an important principle of intergenerational equity.

Just as importantly, it aligns the source of funding with the source of the cost. These expenses arise because DOE has not performed. Applying litigation recoveries associated with that delay towards future spent fuel management obligations is both reasonable and equitable. SONGS stopped generating electricity over a decade ago. Many future customers who could be asked to fund spent fuel management will never have received power from the plant. The Commission's existing approach helps protect those customers from bearing the cost of continued federal delay.

A few parties oppose continuation of the Commission's prior decision. TURN argues that additional funding is unnecessary because overall trust balances are currently forecast to exceed expected decommissioning costs. However, that view overlooks the changing nature of decommissioning. Historically, SCE has been able to offset increases in spent fuel management costs through underruns or unused contingency associated with major decommissioning projects. As active decommissioning activities conclude, these opportunities diminish significantly. Over time, spent fuel management will become the primary remaining activity, and delays in DOE performance will affect trust adequacy.

Cal Advocates proposes allocating future DOE litigation proceeds equally between the trust and the customer refunds. While that proposal is more reasonable than eliminating trust funding altogether, it still fails to ensure sufficient funding would be available if DOE delays continue beyond the current assumptions. The most prudent course remains the same one adopted by the Commission previously.

Before concluding, I would like to briefly address one additional issue raised by A4NR concerning the so-called settlement scenario under which Units 2 and 3 substructures will be removed in advance. It would be removed before Unit 1 substructures. SCE does not believe this scenario should be included in the 2027 decommissioning cost estimate. The scenario is no longer practically implementable. Procurement activities necessary to support that approach would already need to be underway, and they are not.

In addition, this scenario increases costs by more than $10 million. That accelerates trust withdrawals and creates additional environmental impacts that are avoided under the current plan. It also does not support an earlier return of the site to the Navy. For these reasons, SCE does not believe the settlement scenario should be carried forward in the next DCE.

In closing, the underlying facts have not changed. DOE continues to delay expected spent fuel. The trust contains no funding for delays beyond 2054. The Commission's prior directive has not been yet implemented because the relevant litigation remains unresolved. And future customers who likely never received power from San Onofre should not be asked to bear the cost of continued federal nonperformance.

For all of these reasons, the utilities respectfully request that the Commission continues existing policy, directing DOE litigation proceeds into the decommissioning trust for spent fuel management. Doing so represents a prudent, equitable, and forward-looking approach that protects customers while helping ensure adequate funding remains available for the safe management of spent fuel for as long as necessary.

Thank you for the opportunity to present SCE's position. We will be pleased to answer any questions.

ALJ McGARY: Thank you, Mr. Bailly.

Now we'll hear from San Diego Gas & Electric.

ARGUMENT BY MR. WAIDELICH

Chris Waidelich on behalf of San Diego Gas & Electric.

Thank you, ALJ McGary, Commissioners, for your time. ALJ McGary's order for this hearing expressly noted that we were encouraged to not make repetitive arguments. So at this time, SDG&E is going to join SoCal Edison's initial statement while reserving our time to respond.

ALJ McGARY: Thank you.

Now we can move on to A4NR.

ARGUMENT BY MR. GEESMAN

Thank you, your Honor. John Geesman on behalf of the Alliance for Nuclear Responsibility.

I may surprise you in saying that other than his comments about the scenario at the very end of his presentation, the Alliance is in complete agreement with the way Mr. Bailly described the spent nuclear fuel disposal challenge presented by the DCE. And we do not believe that it would be appropriate at this stage to abandon the Commission's decision from the last NDCTP to recycle DOE litigation proceeds back into the trust in order to fund spent nuclear fuel storage. My principal focus in my remarks and the Alliance's principal focus in the proceeding has been what we regard as the unreasonable assumptions about the length of time spent nuclear fuel is likely to remain on site that are embedded in the decommissioning cost estimate for SONGS Unit 1 and SONGS Units 2 and 3.

What is the deficiency in the DCEs that A4NR is trying to correct? At the outset, let me clarify that when I speak of spent nuclear fuel, I'm also including the greater-than-Class C waste that is subject to the same storage and removal requirements. That is the way the DCEs treat greater-than-Class C waste, so I will too.

For the past two decades, Edison has used what it calls, quote, "the standard practice" for recalculating the date by which all spent fuel will be removed from the SONGS site. What it does is simply add the amount of time that has passed since the last decommissioning cost estimate onto the total. Typically, that's been about three years per case. In embracing this standard practice, Edison has overextended a metric that may have been plausible before the demise of the Yucca Mountain project but has been completely arbitrary since the early years of the Obama administration.

Now, the Alliance first pointed this out to the Commission in the 2014 proceeding. We warned that this was a course of action that was likely to cause trouble in the future. The rejoinder from the Commission's decision was, well, nobody else has a better assumption about when the waste will be gone. And that's very much true. But the burden of proof remains on the applicant, and the Commission needs to ensure, consistent with the 1985 Nuclear Decommissioning Act, that it adopts procedures designed to encourage the accurate estimates of costs.

Edison's standard practice for estimating how long spent fuel will remain on site at SONGS is directly contradicted by the analysis performed for its $4 million strategic plan, which was published in 2021. That was the result of settlement of court litigation. And under that settlement, Edison agreed to convene a panel of experts with a budget of up to $4 million to determine what were the likely scenarios for on-site storage of spent fuel at SONGS. Compared to even the most optimistic scenario in Edison's strategic plan, this decommissioning cost estimate understates the likely on-site storage time by an estimate of ten years.

Now, Mr. Bailly indicated they're spending $32 million per year. He didn't indicate whether that was 2014 dollars or current dollars. I used the 22. -- excuse me -- $27.6 million 2014-dollars estimate that Edison has placed in the record. And the sum total of that misestimate, a ten-year difference, adds $276 million to the SONGS DCEs. That's embedded in the estimate but not clearly articulated.

Edison claims to use the same assumptions about the operation of the DOEQ for spent fuel pickups that it did in its 2014 shutdown filing with the NRC. But they've never given any explanation over the years for why that 2014 estimate has been shaved by five years. It used to be a 26-year pickup schedule. Now it's a 21-year pickup schedule. That's an additional five years, $27.6 million that's embedded in the DCE but not obvious. If this ever explained five-year acceleration as no more than wishful thinking, the DCE understates the cost of on-site storage by an additional $138 million.

After being confronted with these anomalies, Edison's briefing agreed to be more transparent in the next DCEs about the assumptions used concerning the DOEQ. But the bottom line remains stark. Unrealistic, unsupported assumptions in the current DCEs understate future on-site storage costs by as much as $414 million in 2014 dollars using Edison's own cost estimate. And by the way, if I use the CPI to convert 2014 dollars to 2026 dollars, that 414 million translates into 584 million today.

What's A4NR's proposed approach to that deficiency? We suggest that the Commission require the next DCEs to analyze the time frames for on-site storage that were developed for the NRC's Generic Environmental Impact Statement. The NRC uses a 60-year post-shutdown period to define the end point for what it calls, quote, "short-term storage" and a 160-year period to define the end point for what it calls, quote, "long-term storage." It contrasts the current DCE's assumptions that all on-site spent fuel is removed by 2054. A4NR's recommendation would require Edison's next filing to analyze the cost impacts of final removal not occurring until sometime between 2073 and 2173. We also suggest that Edison look at a median between those two end points at 2123.

We also recommend the next DCEs be required to clarify the assumptions about the DOEQ by specifying the nationwide volumes of spent fuel assumed, the available nationwide storage capacity assumed, whether shutdown sites are assumed to be prioritized for spent fuel removal, whether monetized exchanges between DOE contractor holders are assumed, and, if so, the amounts included in the DCEs to pay for such exchanges.

Why should the Commission adopt A4NR's proposed approach? A4NR is not recommending any change to the current DCEs, only that the next DCEs reflect the financial stress testing of spent fuel removal assumption that the Commission should expect from a prudent manager.

As acknowledged in the utilities' joint opening brief, California's Nuclear Facilities Decommissioning Act of 1985 directed the Commission to structure its review of decommissioning costs to promote realism in estimating costs and to provide periodic review procedures that create maximum incentives for accurate cost estimations. Clearly, continued reliance on unsupported, feel-good assumptions in the current DCEs falls considerably short of that standard. Thank you very much.]

ALJ McGARY: Thank you, Counsel Geesman.

Next up, we have TURN.

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ARGUMENT BY MR. FREEDMAN

Thank you, your Honor, commissioners. Matthew Freedman on behalf of TURN.

In the current proceeding, TURN's testimony and briefs address two sets of issues. The first involves the reasonableness of the decommissioning cost estimates for San Onofre. And we do recommend modest adjustments to align with historical reported data, and to reduce or eliminate excessive and unsupported contingency factors.

Factual and policy bases for our adjustments are laid out in our testimony and briefs, and I am not going to repeat them at the oral argument. Although, the total impact of our adjustments is relatively small compared to the total forecast expenditures, making these changes sends the important message that the Commission is paying attention, applying scrutiny, and not serving as a rubber stamp for the utilities.

Our second issue is far more consequential, with respect to near-term ratepayer impacts, intergenerational equity, and fidelity to decades of relevant Commission precedents. The utilities seek to deny ratepayers bill credits for their shares of approximately $600 million in litigation claims against the U.S. Government. The utility's proposal represents a backdoor rate increase and is indistinguishable from requesting a new revenue requirement to fund decommissioning costs.

The Commission is well aware of the ongoing crisis of affordability relating to utility bills. And this crisis requires urgent action to find all possible methods of placing downward pressure on rates. These proceeds have historically been provided to customers as a rate credit. Ratepayers continue to receive credits or litigation proceeds relating to Palo Verde, Diablo Canyon, and Humboldt Bay. Instead of continuing this treatment, the utilities asked the Commission to allow their shares of $600 million to be diverted and to be parked for decades in the San Onofre non-qualified nuclear decommissioning trust funds.

In making this request, the utilities asked the Commission to ignore the normal and long-standing processes for determining whether additional contributions to the trust are warranted. Under state law and long-standing Commission practice, the utilities first submit a decommissioning cost estimate. Whether additional contributions to the trust are needed is determined by evaluating the trust fund balances, projecting future trust fund returns and escalation, and considering the timing and amount of disbursements from those trusts, based on the approved cost estimate.

In this proceeding, the utilities are unable to identify any need for additional trust fund contributions using this long-standing approach. The potential incremental spent fuel management costs the utilities cite to justify their proposed diversion of the litigation proceeds, they are not included in the decommissioning cost estimates. In fact, the utilities opposed modifying those estimates to assume even an additional 10-year delay in spent fuel pickup, as proposed by the Alliance for Nuclear Responsibility. The inconsistency of their arguments demonstrates a fundamental weakness of their position.

The utilities' attempt to subvert a normal review process by not including these hypothetical future costs in their cost estimate. The Commission has never fully allowed the utilities to seek funding for decommissioning trusts, based on costs that are not included in the estimate and aren't even quantified in front of the Commission. And, most importantly, the utilities don't offer any analysis showing that the existing trust fund balances, combined with investment returns in the future decades, will be inadequate to support additional spent fuel management costs. Instead of offering a formula or a method for establishing how much money should be stockpiled in the trusts, the utilities simply say that the Commission allowed this treatment last time, and they don't need to provide any data driven analysis in this case.

In my 25 years as a litigator in front of this Commission, and in the course of working on nuclear decommissioning since 2009, I've never seen the utilities make such a weak case in support of such a large monetary request. Let's review what the Commission actually said in the last case.

The Commission held that depositing these litigation proceeds in the trust was justified. Because the utilities argued that if spent fuel pickup was delayed just two years, ratepayer collections would need to incr- -- would need to restart. Those representations were wrong. The utilities have now extended the timeline for spent fuel pickup by three years; and they still failed to demonstrate that the ratepayer contributions would be needed to support the trusts -- or any contributions.

In the last case, the Commission directed the utilities to present more comprehensive showing of the need for additional trust funding in additional cases. And they held that the disposition of these proceeds would be considered in future proceedings. Instead of providing this more comprehensive showing envisioned by the Commission, the utilities offer virtually no evidence in this case to support their request. They don't model the adequacy of their trust funds to cover additional spent fuel pickup delays, and they don't model the impacts of depositing up to $600 million into the trusts.

Not only did they not perform the analysis, they objected to TURN's requests and data requests that they do perform the analysis. Why? Because they know the modeling would show that a massive -- they would show a massive forecasted trust fund surplus that far exceeds the additional cost of spent fuel management under any plausible future scenario.

But, we don't want to speculate about what that modeling would show. We did it. TURN's testimony analyzed the impact of additional spent fuel costs and DOE litigation proceeds on the trust funds. And we used the same cash-flow models developed by the utilities to determine decommissioning trust fund adequacy. I encourage the commissioners and the staff to read our testimony and briefs explaining how we performed this work, the conservative assumptions that were used, and the results of the analysis.

Our modeling shows that even without adding a single dollar of litigation proceeds to the trust, the trusts are projected to support additional spent fuel pickup delays of at least 36 years for Edison and 54 years for San Diego Gas & Electric. If you add the DOE litigation proceeds they seek in this case, the trust funds are projected to support delays of almost 46 years for Edison and 63 years for San Diego Gas & Electric. And by comparison, in this case, the utilities have thrown around the possibility of a 12-year delay. TURN's arguments and analysis demonstrate that this 12-year delay would be easily covered by the existing trust fund balances.

And although the utilities refuse to perform their own modeling, they do critique TURN's analysis. I don't have time to discuss these critiques in the opening statement, but they are fully addressed in our briefs. I would be happy to discuss them in response to any questions, or in rebuttal. The bottom line is, none of the utility critiques are valid; and none of them go to the core analytical framework that we put forward, which is to use their own models to demonstrate that there's no need for the money.

The utilities made several other arguments against returning these funds to ratepayers that just don't hold up to any scrutiny. First, the utilities are arguing that the Commission should adopt the finding that the trusts are underfunded. Because when you compare the amount of money in the trusts today to future decommissioning costs, the current balances may appear inadequate. Well, it sounds reasonable; but they are essentially hoping the Commission suffers a bout of amnesia and forgets or ignores the history and long-standing practices to determining trust fund adequacy. Our briefs review 40 years of Commission decisions, all of which consistently affirm that future trust fund investment returns are an integral part of decommissioning trust fund adequacy.

In other words, the money in the trust is invested in the market. It yields returns over time. The utilities wish to ignore all of that and say -- in terms of determining adequacy. But the Commission has never ever determined trust fund adequacy without considering future investment returns. It's a central part of the analysis.

Secondly, the utilities have said: Well, additional trust funds are needed as a contingency to address potential deviations from cost escalation and investment returns. The Commission has never approved such a contingency. And, in fact, no utility has ever made such a proposal. And despite offering this justification in their rebuttal testimony, the utilities refuse to explain how this financial contingency would be developed, what level would be appropriate. They are not making any specific transparent or comprehensible proposal that can be scrutinized or even adopted. It's a distinctly un-serious request and should be treated as touch.

And, third, the utilities say that this issue is simply outside the scope of the proceeding, particularly for the round five claim. This argument is nonsensical. The Commission's scoping memo found the treatment of DOE litigation proceeds to be within the scope of the case. Moreover, the Commission clarified in the last case that the disposition of these proceeds may be reviewed in any future proceeding; this being one of those future proceedings.

In closing, TURN strongly urges the Commission to reject efforts to divert DOE litigation proceeds and deny ratepayers badly-needed relief. The utilities seek to override the normal review process, offer no analytical support for their proposals, and propose new rationales that contradict decades of practice and precedent. This is not a hard issue. The Commission needs to put ratepayer interests first by directing the utilities to flow through up to $600 million in litigation Proceeds to ratepayers, once they are received.

Thank you.

ALJ McGARY: Thank you.

THE REPORTER: I can't hear you, Judge.

(Reporter clarification.)

ALJ McGARY: Can you hear me now?

Perfect. Well, Counsel Parker, you can -- because your mic is working, so we'll start with you.

Go ahead.

ARGUMENT BY MR. PARKER

Good afternoon, Commissioners and Judge McGary. My name is Wayne Parker, and I'm the attorney representing Cal Advocates in this proceeding. Cal Advocates has five specific courses of action to recommend -- excuse me -- five specific courses of action for the Commission regarding this NDCTP.

First, in the application, SCE proposes both an operational scenario and a settlement scenario for SONGS units 2 and 3. The Commission should approve the operational scenario.

Number two, SCE's SONGS 2 and 3 decommissioning cost estimate, or DCE, for other projects includes $8.7 million for Mesa, M-e-s-a, post-release Work activities. The Commission should remove $1.4 million from the DCE. And the items in the Mesa post-release work activities should be reevaluated when final determinations are made by the Department of the Navy.

Number three, the Commission should remove $7.4 million from the DCE IT, Information Technology estimate. Furthermore, items in the IT -- excuse me -- IT DCE should be reevaluated. And more supporting documentation should be provided if there are increased needs for IT when the decommissioning is in progress.

Number four, SCE's 2023 Palo Verde nuclear generating station, or PVNGS DCE, totals $632.1 million. This includes an increase of $29.5 million for "contingency" expenses. The Commission should maintain the PVNGS contingency of 19.4 percent and remove the $29.5 million increase requested by SCE and SDG&E.

Point five, the DOE is legally and contractually obligated to remove spent fuel from SONGS. And as we all know, so far, DOE has failed to meet its legal and contractual obligations. SCE has consequently incurred substantial costs to safely store spent nuclear fuel generated by SONGS until the DOE takes steps -- excuse me -- steps up and takes possession of the nuclear waste. SCE has filed lawsuits against the DOE to recoup these costs and prevailed in many of these lawsuits. To date, SCE has returned a portion of these litigation proceeds to customers via the Energy Resource

Recovery Account, or ERRA, E-R-R-A process. The Commission should split the proceeds from litigation with the Department of Energy equally, i.e. 50/50 between funding the Non-Qualified Nuclear Decommissioning Trust, or NQNDT, and a refund to SCE customers through the existing ERRA mechanism.

I will address each of these recommendations in greater detail. Afterwards, I will also answer any questions any of the commissioners or the judge may have.

The first issue I would like to discuss is the Commission's adoption of the operational scenario. SCE's operational scenario forecasts a total of $4.709 billion in 2014 dollars for remaining anticipated decommissioning expenses. This estimate is based on SCE's stated plan to remove all substructures for SONGS 1, 2, and 3 in a single campaign at the end of decommissioning to reduce substructure removal costs and environmental impacts.

SCE's settlement scenario is an alternative plan, whereby the SONGS 2 and 3 subsurface structures will be removed before the end of decommissioning in campaigns separate from those for SONG 1's Substructures. This results in an increased cost of $12.5 million. The Commission should approve the operational scenario; because the settlement scenario needlessly increases the cost of decommissioning, negatively impacts the SONGS trust funds, due to growing expenditure of funds, creates additional environmental impacts, and prevents an earlier return of the site to the Department of the Navy.

Point number two, the DCE for Mesa post-lease work activities: SCE's SONGS 2 and 3 DCE for "other projects" includes $8.7 million for Mesa post-release work activities associated with investigation and cleanup of certain chemical substances, including probable maximum flood, easement surrender, and cleanup and surrender of parcels, 3, 8, 9 and 14, as well as contingency expenses. Cal Advocates recommends the Commission reduce the DCE by $1.4 million for the expenses related to parcels 8 and 9. Because there is considerable uncertainty as to whether the Department of the Navy will actually require some of the specific items including in the estimated $8.7 million for the Mesa post-release work activities. Given these ambiguities regarding the U.S. Navy requirements, Cal Advocates therefore recommends the Commission remove that $1.4 million from the DCE for items from the post- -- excuse me -- Mesa post-release work activities list, until the Department of the Navy confirms what specific activities, if any, will be required for parcels 8 and 9.

Point number three, SONGS 2 and 3 DCE for non-labor IT: SONGS 2 and 3 DCE for non-labor IT for the 2024 DCE is estimated at $49.1 million, which is an increase of $7.4 million or 17.75 percent from the 2020 DCE IT estimate. SCE asserts the increased cost is the result of a change in assumptions associated with the later part of the decommissioning project. The Commission should remove $7.4 million from the DCE, and items in the IT section should be reevaluated.

Point number 4, 2023 Palo Verde Nuclear Generating Station DCE: SCE requests the Commission authorize an increase in contingency expenses from the current 19.4 percent to 25 percent in light of what it calls, and I quote, "Significant uncertainties" surrounding the decommissioning of PVNGS. PVNGS decommission is not expected to commence until 2045, at the earliest, which means there is considerable time before the decommissioning commences; and during which, SCE could update the DCE with more accurate estimates. These later estimates would also lower the possibility of unforeseen circumstances, i.e. the very significant uncertainties mentioned by SCE that the contingency would cover. In prior decisions, the Commission has so stated, and I quote: The Commission finds the reasonableness of a contingency amount is significantly related to the stage of decommissioning, and the activities projected, including particular site-specific challenges. Consequently, the reasonable contingency factor may vary between nuclear plants, and at different stages of decommissioning. Therefore, the Commission should not authorize SCE's request for an increase of $29.5 million for the contingency.

Lastly, with regard to DOE litigation proceeds, until the DOE selects and builds an appropriate nuclear storage facility in accordance with the Nuclear Waste Policy Act of 1982, SCE will continue to incur costs to safely store the spent nuclear fuel generated by SONGS, until the DOE of course takes possession. SCE received roughly 80 percent of its claims and currently has two claims pending. To date, SCE has returned those litigation proceeds, as I mentioned, via the ERRA process.

During the discovery phase of this proceeding, SCE provided Cal Advocates with information in a table format detailing the trust funds versus to-go funds. This table has been submitted and admitted to the record as Exhibit CA-0400. As shown in Table 1-5, found in that exhibit, the overage -- that's o-v-e-r-a-g-e -- for

SONGS 1 and the qualified and non-qualified trust is approximately $147 million; while SONGS 2 and 3 is underfunded by $224.5 million under the operational scenario.]

For these reasons, Cal Advocates recommends the Commission split the proceeds from litigation with the DOE equally fifty-fifty between funding the NQNDT and a refund to SCE customers through the ERRA process. Thank you, your Honor.

ALJ McGARY: Thank you, Counsel Parker.

We can now move on to the response statements. And we'll start with SCE.

REBUTTAL ARGUMENT BY MR. JERMAN

Thank you, Judge McGary. Let me start by responding to some of Mr. Freedman's comments.

Mr. Freedman mentioned a $600 million deposit in the trust from DOE litigation proceeds. That number appears to come from combining Round 5 litigation proceeds, which are about $168 million -- that's the amount of the claim we've submitted -- with the pending Round 6 claim, which is significantly higher. The Round 6 claim was recently submitted. Round 5 is the claim that's been pending since our last -- since the 2021 NDCTP.

There's no guarantee the utilities will recover any of that money. There's a high likelihood we will recover some. But the amount won't be known until the proceedings are concluded and the amounts are actually deposited in our trust.

The structure the Commission set up to review the DOE litigation proceeds in the last NDCTP provides for review of the funded adequacy after the Round 5 claim is processed and the funds are received. We expect to receive those proceeds before the next NDCTP is filed. And it's likely the Round 6 proceeds will not be received before that proceeding is filed.

I also want to address Mr. Freedman's point on affordability. Affordability is certainly a primary concern for the utilities. A primary concern in the NDCTP, however, is ensuring adequate funds are available in trusts to support costs through the end of decommissioning. And depositing litigation proceeds in the trust supports affordability because it protects current and future customers from having to pay for -- from having to make additional contributions to the trust to support spent fuel management. It also supports affordability because it will allow SCE to pay for storage of spent fuel at a facility in Morris, Illinois from the trust. Those costs are currently paid through ERRA by customers in the current rates.

Mr. Freedman claimed that there was insufficient evidence of adequacy of the trust to support spent fuel management beyond the period of the DCE. That's simply not true. It's in the record for this proceeding. It's in Edison's direct testimony. It's in our rebuttal testimony. There's no funding for spent fuel management beyond 2054, which is the assumed date of funding removal -- sorry -- of spent fuel removal assumed in the DCE.

And the last point I want to address on Mr. Freedman's comments is a criticism of our modeling. So the modeling that is done in the NDCTP is based on known trust fund balances prior to the submission of the NDCTP. We do not -- we have not updated the modeling based on speculative or hypothetical balance amounts. We did not do so here. Again, that's something that the Commission addressed in its decision in its last NDCTP because the utilities will be required to address additional litigation proceeds received in advance of the NDCTP and include those funds in the updated modeling that's done in the next NDCTP.

And the primary disagreement on the analyses between our funding results from how margins are treated in the analysis. What the margins are is a contingency that's applied that the utilities apply to address potential discrepancies in rate of return assumptions, in escalation assumptions. And these margins are small amounts. So in the utilities' analysis -- or SCE's analysis, our margins or extra funds resulted in about 15 percent of the total trust fund balance. And the way that the escalation is calculated -- it's compounded annually throughout the 30-year remaining life of the decommissioning project. Any small discrepancy in escalation or rate of return assumption could result in a complete loss of the margins. So for us, it's -- a 1 percent discrepancy in rate of return assumptions or escalation assumptions would result in the loss of the margin.

And with my few remaining minutes, I'd like to turn to a few of Mr. Geesman's comments. Mr. Geesman focused on utilities' work in the strategic planning on spent fuel removal versus the utilities' consideration of spent fuel removal in the DCE. These are two very different purposes. In strategic planning, the utilities are not waiting passively for DOE to begin removing spent fuel from the site, but we're engaging strategic partners and planning for the eventual removal, regardless of when that might be.

In contrast, in the DCE, we need to make reasonable and realistic assumptions for future decommissioning costs to support a trust fund adequacy analysis. And it's just not consistent with that purpose for the DCE to make multiple assumptions regarding when spent fuel might be removed.

I see that's my time.

ALJ McGARY: We're at time, Counsel. Thank you.

Oh, I'm sorry. Counsel Waidelich?

MR. WAIDELICH: Chris Waidelich on behalf of --

ALJ McGARY: I'm sorry. "Waidelich."

REBUTTAL ARGUMENT BY MR. WAIDELICH

Thank you. Chris Waidelich on behalf of SDG&E. I'll first note that I'm in agreement with my colleague at Edison and the points that he raised. But in addition, I would like to talk just about something that Mr. Geesman from A4NR raised that I think kind of highlights really what this proceeding is about.

It's not unlike other proceedings. There's a great deal of uncertainty here. There's a lot of assumptions. I think what's a little more unique here than other proceedings is the time horizon of that uncertainty. For many proceedings, we're looking three, four, five years in the future. Here we're looking decades in the future. We have a lot of unknowns related to spent fuel and related to the trust.

I think the other difference here is in the consequences. If the trusts are too large, you may have a windfall for future ratepayers. But on the other hand, if the trust funds are not adequate, then we're going to have to go to ratepayers and collect money for a power plant that they didn't benefit from. So there is a risk there.

Now, with all this uncertainty, the utilities in their joint application really took the time to make a reasonable and prudent approach. And I think it's noteworthy here that the intervenors in this proceeding are actually on both sides. On one hand, A4NR has questions related to whether we're looking at a long enough time horizon or if we need to think about additional costs in the future; whereas, on the other hand, Cal Advocates and TURN are looking at a shorter timeline potentially or other assumptions in a more favorable way.

And I think that the fact that these arguments are being put forth on both sides helps to justify and focus in on the time that was spent by the joint utilities in preparing our application ensuring that it's a reasonable and prudent approach to managing the trust. So as such, I would really encourage the commissioners here to approve the application and not dip into the DOE litigation funds at this time.

ALJ McGARY: Thank you, Counsel.

And we'll hear from A4NR.

REBUTTAL ARGUMENT BY MR. GEESMAN

Thank you, your Honor. John Geesman on behalf of the Alliance for Nuclear Responsibility.

The 1985 Decommissioning Act attempts to have the costs of decommissioning internalized in the price of electricity that is sold to customers that benefit from that electricity. In terms of decommissioning funding or the expenses for spent nuclear fuel in particular, something changes when a plant enters into decommissioning status. Before that, current ratepayers are paying for the spent fuel costs. So it is logical that DOE litigation proceeds should go to current ratepayers. But after a plant is in decommissioning status, it's not taking money from current ratepayers anymore. The funding for spent nuclear fuel comes entirely from the trust corpus. As a consequence, if you're not replenishing that trust corpus with DOE litigation proceeds, you're draining it down.

Those of you that are parents might think very seriously about what alternatives might be available for use of your college savings fund. Maybe your child isn't going to go to college. Or maybe it would be better to use those proceeds on something else between now and the time when that child goes to college. You should recognize the fiduciary obligation that both the utilities and the Commission have in terms of the preservation of decommissioning trust proceeds.

A4NR disagrees with TURN's assessment and, I believe, the Public Advocates' assessment that the SONGS decommissioning trusts are currently overfunded. TURN's arithmetic overlooks four material considerations.

First, embedded within Edison's spent fuel removal assumptions are the 15 years of unaddressed schedule slippage that I talked about earlier with associated costs of $414 million in 2014 dollars.

Second, the two private interim storage projects cited by TURN's opening brief has signs of accelerated progress on the availability of options to begin moving fuel in the 2030s have both been abandoned by their sponsors due to state government opposition in Texas and New Mexico.

Third, TURN's reliance on DOE activities in '21 and '22 to promote operational consolidated storage facilitates by the mid to late 2030s does not reflect the significant redirection of DOE's policies since the Trump administration came into office.

And, fourth, potential new costs to the

decommissioning trusts may materialize, are likely to materialize from Coastal Commission decisions on subsurface structure removal after 2028 and potential is FISI relocation after 2035. Both of those stem from the indeterminate end date for on-site storage of spent nuclear fuel at SONGS.

Edison and the public advisor -- Public Advocates are wrong to suggest that the Commission should choose between the two scenarios analyzed in the current DCE for the timing of the removal of subsurface structures. That's not something that is in front of the Commission. It's not an exercise of discretion on your part or on the utilities' part. Rather, it is a question of analytic preparation for a scenario that may very well flow from the Coastal Commission.

The Coastal Commission will not take this up until after Edison submits its required amendment to the applicable coastal development permit, which is due no later than June 1st, 2028, which is after the next DCE. A4NR doesn't ask the Commission to prejudge the outcome of Coastal Commission process but simply to require the analysis of the two scenarios that were performed in this round be updated for the next round.

And if Mr. Bailly is right that conditions have changed, change your assumptions. The Commission ought to be equipped with an analytic framework for what happens if the Coastal Commission says, as the permit reads, do it now.

Edison would have you believe that the Coastal Commission will be persuaded to wait until all spent fuel is removed from the site. Well, you tell me when that's going to be. Do you think for a minute that 68 acres at the center of the fourth most popular state park in California can be quarantined indefinitely while Edison abandons the decommissioning project in place until spent fuel is removed? I don't. A prudent utility manager would do this anyway. And Sections 8323 and 8327 of the Public Utilities Code require nothing less. Thank you.

ALJ McGARY: Thank you, Counsel Geesman.

Okay. So next we'll hear from Counsel Freedman for TURN.

REBUTTAL ARGUMENT BY MR. FREEDMAN

Thank you, your Honor. Well, a lot to respond to here. I'll start with Edison's initial statement.

They said their proposal protects trust adequacy in future generations, arguing that there's simply not enough money in the trusts to fund incremental spent fuel storage costs. It's just not true. Edison did not present any analysis to support that claim. And in the rebuttal statement, Mr. Jerman says, oh, it's in our testimony. It's not. Edison basically looked at the amount of money in the trust funds today and ignored future trust fund returns.

We think that that is a fundamentally incorrect way to do the analysis. And don't take my word for it. Read any of the decisions the Commission has issued in the last 40 years on this topic, all of which say of course you have to look at the money that the trust fund is going to make over time.

So we did that. And we did it by using the utilities' own models. We did not create our own analysis. And the utilities did not want us to do this analysis, refused to do it themselves. We got the models from them. We had to pull teeth to get the data. We got it. And we said let's take look at what happens if we add more time for spent fuel pickup, five years, ten years, twenty years, thirty years. What happens to the trust funds? Turns out they have enough money under the models the utilities themselves prepared. That's the analysis in the record.

The utilities and the other parties with which we disagree on this want you to ignore models. They want you to ignore the analysis. They want you to come up with a completely different framework, which is there's uncertainty in the universe, uncertainty that we haven't put in here. Let's just ignore the analysis and put more money into the trust. How much more money? We don't know. All the money. Put it all in there.

There's a point at which this becomes a huge ratepayer problem. The governor issued an executive order in late 2024, said find unused money. Return it to ratepayers. We have a crisis on our hands. In the face of that, for the utilities to say let's stockpile as much money as we can the ratepayers would otherwise have access to into trust funds where they will not be available for 40 years is negligence from my perspective. It is absolutely in conflict with what the Commission is supposed to be doing in this situation.

The other comments from Edison that I will respond to -- Edison says, well, there's no guarantee we're going to get the money from the DOE. You never know how much you're going to get. That's true. But we do know how much they've gotten so far. They've had four rounds of claims. What was their success rate? 88 percent. Meaning 88 cents out of every dollar they claimed ended up going back to ratepayers after deducting the costs of litigation. And that's consistent with the amounts we've seen for PG&E.

What did we assume in our analysis that we put in the testimony? We assumed an 85 percent success rate. So we assumed they would be less successful in the future than they have been in the past.

Edison also says, well, yeah, but we apply this margin to our trust fund analysis, a margin because there's uncertainty about what the future is going to look like. That statement suggests they've done it before or that they even included it in their actual testimony, their direct testimony. They did not, and they have not. No utility has ever asked for or received a margin on top of their existing trust fund balance analysis.

So don't be deceived. This is a brand-new proposal that, by the way, came in in rebuttal testimony for the first time. So it's not an analytical approach. It's not a reasoned, careful, considered way to think about this. It's a response to TURN's critique and request to return the money and the analysis that we did.

I'd like to remind the Commission that there are ten future NDCTPs between now and the end of decommissioning at least. That means every three years we come back and argue about this. There's plenty of time to continue to look at this issue and see whether the forecasted concerns are going to materialize.

Putting $600 million or some portion of that into the trust now is -- would simply deny ratepayers access to these funds in the near term.

And let me put this into stark terms. We did our analysis. How much money did we find would be left over in the trusts in 2056? It's in our testimony, in our brief. But I'll just read it. Even without adding a single dollar of DOE litigation proceeds, in 2056 dollars in 2056, Edison is projected to have $1.85 billion left over. San Diego Gas & Electric, $770 million left over. And that assumes five additional years of delay, which aren't even in the decommissioning cost estimates.

So how much money is needed? None of the other parties will tell you. We're the only ones who have actually done the analysis. And so the Commission should look at the data that's in the record and act consistent with how it has always addressed this issue. Don't go rouge in this case and decide that you're going to authorize additional money just because the utilities ask for it when you have a longstanding tradition of how to think about this issue. Thank you.

ALJ McGARY: Thank you, Counsel.

And now we'll hear from Counsel Parker, Cal Advocates.

REBUTTAL ARGUMENT BY MR. PARKER

Thank you, your Honor. Wayne Parker for Cal Advocates. My remarks will be short.

I would direct the Commission's attention to the exhibit marked as CA-0400. And specifically on page 11, you will find Table 1-5, which is entitled Trust Funds Versus To-Go Costs. This table summarizes the Cal Advocates' analysts' assessment -- excuse me -- of the potential overage or underfunding of the trust funds. And what you will see in the fifth column is that under the operational scenario, they estimated a 220 -- excuse me -- $224.5 million underfunding of the trust funds.]

I simply wanted to point this out, because there does seem to be a dispute -- factual dispute here over whether or not there would be underfunding and what the scope of that would be. And I believe that our analysts provide the necessary background and a neutral assessment of what they have determined, based on information received from Joint Applicants.

Thank you, your Honor.

ALJ McGARY: Thank you.

COMMISSIONER HOUCK: Can you repeat the exhibit number?

MR. PARKER: Yes, your Honor. That is CA --

excuse me, your Honor. Commissioner Houck, that is CA-0400, page 11.

COMMISSIONER HOUCK: Thank you.

ALJ McGARY: Okay. I think we've gotten to the part where we get a short break before the commissioners and I may have some questions for you. Let's take -- let me check the time. The time is 2:17. Let's come back at 2:30.

COMMISSIONER HOUCK: Can I ask --

ALJ McGARY: Oh, go ahead.

COMMISSIONER HOUCK: Could -- I was going to ask: When we come back, could you be prepared to provide the exhibit numbers for the direct and rebuttal testimony you referenced as well?

MR. JERMAN: Yes.

COMMISSIONER HOUCK: Thank you.

THE REPORTER: Are we off the record, Judge?

ALJ McGARY: Apologies. We're off the record and adjourned in recess until 2:30 p.m.

(Recess taken.)

ALJ McGARY: We're back on the record. The time is 2:31. We took a sort recess for a break. And we'll move on to the part of our agenda for commissioner question-and-answer period, maybe a couple from me.

So do we want to start with President Reynolds?

MR. JERMAN: And, Judge McGary, I'm sorry to interrupt. But there was time on the agenda for a final statement by utilities.

ALJ McGARY: That's going to be after --

MR. JERMAN: Oh, I'm sorry.

ALJ McGARY: So, number six was the break. Number seven, commissioner question-answer, and then the final statement.

Do you have a preference to do the final statement before you're asking questions?

MR. JERMAN: No, that's fine. Let's stick to the agenda that I should have looked at more closely than I did.

ALJ McGARY: Okay. And for anybody who's joined us, there's a fact sheet and an agenda on the back table where you would usually find the speech documents. We made our own little special oral argument table.

So, let's -- Commissioner -- excuse me -- President Reynolds, would you like to start?

PRESIDENT REYNOLDS: I wonder if the assigned commissioner might prefer if they go first?

COMMISSIONER HOUCK: Thank you, President Reynolds. So, first, were you able to get the exhibit numbers from the direct and rebuttal?

MR. JERMAN: Yeah. So -- and was this specifically on the margin issue, Commissioner Houck?

COMMISSIONER HOUCK: Yes.

MR. JERMAN: Yeah. So, SCE-06 is our direct testimony exhibit, where we do our financial trust analysis. And that exhibit identifies margins to resume contributions to the trusts. So those are the margin amounts that's produced in our financial analysis that -- that addresses both an assumed rate of return, so assumed rate of return on investments in the trust. And then, also, assumed escalation rates for costs of decommissioning.

And then, those same margins are addressed again in our rebuttal testimony, which is SCE-09. And that's the volume where SCE explained that those margins should be considered akin to a contingency for modeling purposes.

COMMISSIONER HOUCK: Thank you.

Another question for SCE: You mentioned that the round five claim is pending, and you expect to receive that before the next NDTCP. And I wasn't clear if you were saying that we should wait to receive that information before assessing what should or shouldn't stay in the fund and go back to ratepayers.

So, could you just provide a little more information about the significance of round five and round six?

MR. JERMAN: Yeah. So, my point there was that we expect to receive the round-five claim soon. Although, admittedly, it has been pending for quite a while. But, certainly, we expect to receive any funds from that round before we receive the round six claims. So I was pushing back on Mr. Freedman's assertion that there would be $600 million of DOE litigation proceeds deposited before the next NDTCP. I don't think that's likely.

I think, I hope, the round-five claims will be resolved and received -- that litigation proceeds will be received before the next NDTCP. So our financial modeling will reflect receipt of these proceeds, but not yet receipt of the round-six proceeds, which I think likely will not be received before the next NDTCP.

COMMISSIONER HOUCK: Thank you. And I think you responded to Mr. Freedman's arguments, but could you provide a little more comment on your response to Mr. Geesman's comment? I think we've got one intervenor suggesting we need to have refunds back to customers. And one that there may be more money that needs to go into the trust, if I'm hearing that correctly.

So could you provide some response to

Mr. Geesman's arguments?

MR. JERMAN: Sure. I think the best response to Mr. Geesman's claim that there is continuing uncertainty regarding the DOE's ability to remove spent fuel from the SONGS site, the utilities don't dispute that. The best way to address that continuing uncertainty is to allow us to deposit the litigation proceeds into the trust. That will provide a funding source for the spent fuel management if the DOE continues to delay.

Regarding modeling the specific assumptions that Mr. Geesman proposes, we don't think there's value in doing that for a couple reasons. So, one, as I mentioned in my rebuttal, we don't think it's consistent with how the DCE has historically been done -- which is identify specific assumptions, use those assumptions to identify estimated costs to complete the decommission, and then compare that against the trust fund balances. And -- give me a second to -- That's the primary concern. I'm sorry. I lost my train of thought on the second point there.

COMMISSIONER HOUCK: Thank you.

And, Mr. Waidelich, did you have anything to add to Mr. Jerman's response?

MR. WAIDELICH: Not on that point.

ALJ McGARY: And then, Mr. Freedman, can you also provide any additional response to Mr. Geesman's arguments regarding the amounts not being sufficient?

And what happens if we return this money, and we find out in five or six years that there's going to be additional money needed?

MR. FREEDMAN: Thank you for the question, Commissioner.

In the event that future developments lead to a determination that trust fund -- that the trust fund balances are forecasted to be inadequate to meet identified future costs, the Commission will have two options:

One, the Commission could direct the utilities to deposit future DOE litigation proceeds into the trusts, as they asked today. In this case, they really haven't done their homework to identify under what circumstances the trusts would be inadequate. If they did the homework in a future case, and we have a greater clarification of those costs, the Commission could direct the utilities to take more DOE litigation proceeds and deposit it.

And why would that be possible? Because the utilities continue to seek recovery for the spent fuel costs caused by the government's breach of the standard contract. There are pending claims all the utilities have been filing and will continue to file. So, that is a source.

The alternative source is to collect the money from ratepayers, when and if there's demonstration that the money is needed. No such demonstration has been made at this point.

COMMISSIONER HOUCK: And then, one last question for you Mr. Freedman; and then I will just ask you, Mr. Geesman, if you have additional comment.

But as far as, if we were to leave the status quo as it is for this proceeding, what would you recommend we require of SCE to provide -- to get more specific or accurate information, based on the deficiencies you've identified in your comments for the next NDTCP.

MR. FREEDMAN: Just a clarification request. When you say the status quo, do you mean return the money to ratepayers, or do you mean something else?

COMMISSIONER HOUCK: I mean if we were to leave things exactly the way they are right now, as far as how we handle the DOE funds.

MR. FREEDMAN: Well, okay. The way that it has been handled historically and for the other utilities and for the other units is the money gets returned to ratepayers. If the question is: Should we keep returning the money to ratepayers, what do we ask for in the future; or if we let them deposit the $600 million-ish.

COMMISSIONER HOUCK: It was the first one. But why don't you tell me what you would do in both situations.

MR. FREEDMAN: Thank you.

So, if the Commission directs the utilities to act consistent with historical practice and return the money to ratepayers, I would -- we would recommend that the utilities be directed to come back in the next NDTCP, which I believe is going to be filed next year, and to identify changed circumstances, updated cost estimates, updated projections of trust fund balances. And as part of that, for them to model several sensitivities. Sensitivities could involve different lengths of delay in the pickup of spent fuel, 5 years, 10 years, 20 years, pick your sensitivity; and run those through their trust fund cash flow models that they use to determine adequacy. Those models would then yield useful data as to whether the trusts are actually expected to be underfunded.

In addition, the utilities could model sensitivities where they add certain amounts of DOE litigation proceeds to the trusts over time to see how that affects the adequacy of the trust funds. They didn't do any of this in the current case. So that would be our primary recommendation, is to actually do that.

In the event that the Commission disagrees with TURN and allows the utilities to divert the money into the trusts, our recommendation would be that the utility should be required in the next case to demonstrate that the money is needed, not through speculative hand-waving about who knows what the future is going to bring, but through actual analysis; and any excess money be returned to ratepayers immediately. But I'm really not excited about this alternative proposals, because it's completely unnecessary, and it prevents ratepayers from getting relief now when they really need it. And, again, there's so much time left to address this issue. And the spent fuel delay costs really don't hit under Edison's own modeling until deep into the future. So there's no near-term impact to the trusts for many of these determinations.

COMMISSIONER HOUCK: Thank you, Mr. Freedman. I just wanted to see if Mr. Geesman or Mr. Parker have anything they wanted to add.

MR. GEESMAN: Thank you, Commissioner. I guess the one thing that I would add is that in the 19 years that elapsed between the time that I was the Executive Director at the Energy Commission, and then later served at the Energy Commission, I spent those 19 years in the capital markets largely as a financial advisor to most of the municipal utilities in the west for their bond issues. It's a frightening prospect to hear Mr. Freedman, who I generally agree with, to say the utilities haven't done their homework; and Mr. Jerman indicating they don't want to do this particular type of analysis, when the size of the amounts of money are so large, and the level of uncertainty and the ramifications, financially, are so great.

I don't think a head-in-the-sand approach is appropriate. And if you end up charging future ratepayers, who had no benefit from SONGS, to pay for the cost of decommissioning -- as history has forced you to do in Humboldt Bay, because the trust fund wasn't established early enough -- but if you do that with SONGS, it will be a major confession of failure on the part of Edison and on the part of the Commission to properly carry out the tasks that the 1985 Nuclear Decommissioning Act contemplates for you.

COMMISSIONER HOUCK: Thank you.

And, Mr. Parker, did you want to add anything?

MR. PARKER: Thank you, Commissioner Houck. I would simply note Cal Advocates' position is something of a compromise here. We're recommending a 50/50 split of the litigation proceeds going to the non-qualified nuclear decommissioning trust; and the other 50 percent being refunded to customers through the ERRA process. This, in light of the information we have today, is probably the best position that the Commission could take. And that's all I have to add, your Honor.

ALJ McGARY: Thank you.

And I don't have any other questions. I can pass it back to the judge or to you, President Reynolds.

PRESIDENT REYNOLDS: No questions for me.

MR. JERMAN: Would it be okay if I responded to that question, Commissioner Houck?

COMMISSIONER HOUCK: Is that okay?

Yeah. Sure. Go ahead.

MR. JERMAN: Yeah. The question of if the status quo is maintained, I think the Commission addressed that in its order in the last proceeding. So the Commission directed the utilities to include received DOE litigation proceeds in its analysis in the next proceeding, which is this proceeding. I think the assumption in the last NDTCP is that we would have received around five litigation proceeds by then, and our analysis would be updated to reflect those proceeds. That didn't happen; but those requirements should be continued into the next NDTCP. We'll update our analysis to reflect any DOE litigation proceeds received then.

On the question of additional analyses, Edison's position is that what we presented in this case shows conclusively that there's insufficient funding in the trust to support spent fuel management beyond 2054. That's shown in SCE-06 that has our margin to resume contributions. So, for example, that exhibit shows that there's an $85-million margin for SONGS Unit 2. We don't think that should be considered as money to support spent fuel management beyond 2054. That's explained in our rebuttal testimony.

But even if you do consider that money as excess money to support spent fuel managements, it would only support an additional three years, at best, beyond 2054. And that's because of our record evidence supporting the costs of spent fuel management, the annual costs. So if the question is: Should the utilities include additional analyses that assume even longer periods of DOE failure to remove the spent nuclear fuel from this SONGS site, there's really nothing to be explained from those additional analyses, because we already show funding as inadequate as of a certain date. Of course, if spent fuel stays on the site beyond that date, funding will also be inadequate to support it.

It also brings in a whole host of questions about what other assumptions should be made about continuing fuel on the site beyond 2054, which may be 2057 in the next NDTCP, if we incorporate another 3-year delay. Additional questions about what funding sources would be available, in light of, you know, hundred-year spent fuel -- whatever the assumptions are that we've heard today, it's just that a difficult analysis that we don't think provides any real benefit to the Commission or to our customers, because we have already identified when the spending shortfall occurs.

Thank you.]

COMMISSIONER HOUCK: Thank you.

And I saw Mr. Freedman kind of shaking his head. If you want to very briefly make one additional comment.

MR. FREEDMAN: Yeah. The contribution margin that Edison cited is not -- is not indicative of the amount of additional spent fuel costs that could be recovered or the extent to which the trust funds could be able to handle delays. The way that that analysis is done is using the models. The models have a year-by-year projection of trust fund balances, disbursements, costs that would be included. You can even add additional costs to any years you want.

Under Edison's own data that they provided to us in this case, they show that additional costs start being incurred in 2052. So we did that. We used their data. We used their model. We came to the result that there were decades of additional -- decades of additional delays that could be accommodated by the trust funds. And the fact that the utilities refuse to use their own models the way they would normally use for this purpose tells you all you need to know about the strength of their case.

ALJ McGARY: Thank you, Counsel.

Apologies, Commissioner Houck, for getting the order -- going out of order with questioning.

I do have two short questions -- oh, I'm sorry. I'm going to apologize to Commissioner Baker as well. Commissioner Baker has some questions.

COMMISSIONER BAKER: Yeah, the first for the joint applicants.

Is there a net present value calculation in your testimony? And if so, what discount rate did you use?

MR. JERMAN: I don't have the discount rates off the top of my head.

COMMISSIONER BAKER: But it was probably a weighted average cost of capital?

MR. JERMAN: I don't think it is the weighted average cost of capital. There's a rate assumed for the cost escalation throughout the decommissioning project. And there's also assumptions about the rate of return for the funds in the trusts that are invested.

And to answer your first question, yes, we did do that present value calculation.

COMMISSIONER BAKER: I guess this is kind of a -- well, why wouldn't you use the weighted average cost of capital in the calculation when we use it for resource acquisition and other long-term --

MR. JERMAN: Well, the point of the analysis is to determine the adequacy of the trusts and the returns on the trust. The trust funds are invested in the market. So to determine the adequacy, we think the best measure is an expected return on those market investments. So those are the assumptions we use. We try to come up with a reasonable estimate for what that return will be.

COMMISSIONER BAKER: And I -- the -- I'm not sure how to word this question. But the -- it -- for me, it seems like the question before me is how to value, you know, what we're paying today versus what future ratepayers would pay in the future. And, you know, we think about it in terms of, well, we shouldn't have intergenerational disparities. But we also are paying for a lot right now forward, whether it's wildfire mitigation or a lot of our climate work or things like that. And so I guess my question is, you know, how -- what is your -- I don't want to be leading. But how -- you know, how should we think about this?

I think this gets to Mr. Waidelich's answer on over and under. Like, let's say the worst thing is we're $1 billion off 50 years from now -- or in 2054. That's not 50 years. Twenty-five years from now. We're also assuming that we'll be richer at that time. Why wouldn't we have the future pay for part of it if we miscalculate it?

MR. JERMAN: Yeah. And the Commission acknowledged in its decision in the last NDCTP that there are completing intergenerational equity concerns here. To Edison, we think the primary concern is to ensure that the customers who actually receive the power from the plant pay for the costs of decommissioning that plant. We think that's a more important intergenerational equity concern than the potential that future customers may receive some benefit from the trust if all those funds aren't used.

I would also say, Commissioner Baker, I think the California Nuclear Decommissioning Act supports that reading. I think the intent of the act is that funds to decommission should be fully provided by users of the power of the facility.

And I guess one other point too -- sorry to keep stepping on you, Chris.

One other point is, you know, we also think that, you know, by depositing the DOE litigation proceeds into the trust, you know, it really avoids the need for anyone to have to make additional contributions. So it's not a question of, you know, should it be future customers? Should it be current customers? The idea is that the deposit of the funds tracks the mechanism that's used to pay the spent fuel management costs. It's an offset to the funds.

And, you know, one final point. I think that's consistent with how the Commission handles spent fuel management for nuclear -- other nuclear plants in the state. I mean, for Edison, we have another nuclear plant that's not in California. It's in Arizona. But spent fuel management costs are paid through rates there by our current customers. DOE litigation proceeds would also be an offset to current rates. I believe that's how PG&E handles it as well for Diablo Canyon. The DOE litigation proceeds are an offset to current rates. Because that plant is not in decommissioning, current rates are used to fund spent fuel management.

COMMISSIONER BAKER: And the flip side of that is that if there is an over-collection, that future -- those future generations are going to benefit from that and the interest accrued through that.

MR. JERMAN: That is true. But the Commission reviews that possibility every three years. And we're required to update our analysis at least every three years.

MR. WAIDELICH: I was just going to say, Commissioner Baker, I think you hit the nail on the head. I think everybody at this table would agree that if we could have a perfect financial model and perfect understanding of future costs, it would be that model where, yes, those that incurred the benefit would have paid towards the trust account, and there would be no future windfall. Unfortunately, the stock market is anything but a perfect model where we know exactly where it's going to end up in the future. And we have all these DOE litigations. There's a lot of unknowns, a lot of uncertainty over the next 50, 60 years.

I think one point that might be a helpful data point to look at is if you go back and look at prior statements where we use the same model. And that same model at different points in time show different things when we go out 25, 26 years just based on where the trust is at a certain point. I think that helps to just emphasize that we do really our best to make a reasonable and prudent approach to this. It's not an exact science.

So there is going to be -- if we can hit a perfect nail on the head, we would do it. But if you're going to miss one way or another, it's which side do you want to miss on? I think generally we don't want to burden future ratepayers with a cost they didn't benefit from.

COMMISSIONER BAKER: Mr. Freedman, what's in it for the utilities to over-collect versus under-collecting?

MR. FREEDMAN: It reduces their perceived potential liabilities in the event they overspend on decommissioning because they've already got the money in the trusts. The utilities would like nothing more than to have the trusts massively overfunded with the money not coming back to ratepayers until some deep future date because their primary concern is that they worry about the risk that overspending on decommissioning could create shareholder liability. That's my view of it, having worked on this issue for about 20 years.

COMMISSIONER BAKER: What do you think the appropriate discount rate should be for the NPV calculation?

MR. FREEDMAN: I'm not sure that the NPV calculation is the way to think about this. I think that the modeling that does the year-by-year analysis, that looks at it is the way to understand the adequacy. By the time you get to the end-year surplus, you could certainly discount that back. But the trust funds all have different rates of return attached to them.

I think in terms of -- one data point that's been useful for this back-and-forth is the utilities are proposing to put the money in the nonqualified trust. There's two different trusts. There's the qualified trust, which is tax advantaged, and the nonqualified, which is not tax advantaged. The nonqualified trust invests all of its money in fixed income assets. So the utilities are projecting about a 3-and-a-half percent return on every dollar of DOE litigation proceeds that goes in. When you spend that forward over 30, 40 years, it's basically a destruction of value from a ratepayer perspective. Ratepayers' discount rate, no matter how you look at it, is a lot higher than 3-and-a-half percent. So the money left at the end of the day is a lot less than we would hope. And I think that's an important thing to keep in mind.

COMMISSIONER BAKER: Thank you.

ALJ McGARY: Oh, I'm up? Do we have any other commissioners?

COMMISSIONER HARADA: Okay. So I understand that -- so I'm still newer to the Commission, newer to this topic. It sounds like you all have done some amount of scenario analyses with respect to the trust funds. I guess I'm just curious if you all have considered -- does that include things like a multiprobalistic risk analysis? Coming from an engineering world, we do Monte Carlo solution simulations all the time, especially in these kinds of -- we don't know what's going to happen in the rest of the world for the next 20, 30, 50 years kind of situations. Is that something that you all have done previously and/or you might be interested to pursue?

MR. FREEDMAN: If I may start, my understanding is that the utilities typically do a Monte Carlo analysis for projecting future trust fund returns. Like, what's the rate of return they want to look at? That's a typical thing that happens in these cases because they don't know -- you know, you have to pick a number and -- so you can look at deviations. But I think that's the way to do it.

And in terms of, you know, doing sensitivity or Monte Carlo simulations on costs, that becomes very problematic because there's sort of one set of costs in here. You could do sort of flat adders or subtracters. As Edison pointed out, they've actually been spending less than they projected on -- for decommissioning costs. And they said they've been using savings to cover incremental spent fuel costs. Do you think in the future they're going to spend more or less than they project on core decommissioning? I don't know. You could pick your scenario.

MR. WAIDELICH: And also in response to that, we actually did do some of that type of analysis in our reply on page 18 where we look at TURN's analysis. And if you drop -- I believe it's 1 percent off of that, that entire margin disappears. So in thinking about a small change and the impact that that has, we do think about those things.

MR. JERMAN: And I was going to say that -- the same thing, Commissioner Harada. I don't think we do a specific Monte Carlo analysis. But our treasury department and our financial experts certainly do a robust analysis of the trust fund adequacy. And it's their testimony in our rebuttal exhibit where they support the thinking that the contingency amounts and contribution to a margin be considered as a contingency to address the unforeseen outcomes in the rates of return and escalation costs.

ALJ McGARY: Do you have any questions, Commissioner Douglas?

COMMISSIONER DOUGLAS: No.

ALJ McGARY: I just have a few questions, but they might turn into a little bit longer time than we thought. So if you could get in there and answer these briefer, that would be helpful.

I'm going to take it out of order because we're already talking about issue number 7, which is whether the proceeds paid by the DOE for litigation for delay in spent fuel management storage costs for SONGS should continue to be deposited into SCE and SDG&E's respective nonqualified decommissioning trust as ordered in Commission Decision 24-08-001 or be refunded to their respective customers through the ERRA process. And we've heard each person's proposal. Cal Advocates had a proposal for a fifty-fifty split. We have TURN's proposal for 100 percent. So you don't have to repeat that. But I just have some clarifying questions for each party.

So in Commission Decision 16-04-019, the Commission authorized SDG&E to cease collection of customer contributions on January 1, 2016, and immediately for SCE. So there were two different requests. What I would like to hear from SCE and SDG&E is the last date of -- the actual last date of those annual contributions from customers. And then I have some other questions about item 6.

So starting with SCE, what's the last day of the annual contributions collected from customers?

MR. JERMAN: Yeah. I don't know, Judge McGary. It would have been in 2014. But if you're looking for an exact date, we don't have that. We can certainly get it for you, though.

ALJ McGARY: I did look through testimony. I didn't see the exact date. But I did find it in what we actually authorized. I just want to know when it actually happened.

For SDG&E, Counsel --

MR. WAIDELICH: ALJ McGary, based on the information -- just speaking with my experts behind me, they think it is January 2016.

ALJ McGARY: Okay. Great. So as ordered, you proceeded at that time.

Okay. And related to claim -- the proposals, I read them and found a little bit of ambiguity. So I'll start with TURN.

So, TURN, you are asking that if we do deviate from the previous decision in place right now, D.24-08-001, and return 100 percent of the DOE litigation net proceeds -- so after the litigation costs -- when do you propose that to start? Were you starting with Claim 5? Were you starting with Claim 6? Are you starting with things after Claim 6? If you could, please clarify that.

MR. FREEDMAN: Thank you, your Honor. I don't believe that our proposal requires the Commission to deviate from the last decision. The last decision specifically teed up this issue for consideration in subsequent NDCTPs where the Commission could determine the disposition of the proceeds. We believe that this is not a deviation but rather a natural consequence from the last decision for the Commission to take a look at the state of play, whether money is needed, and what to do with the DOE litigation proceeds.

With that preamble, our position would be that once the money is received -- and as Edison and SDG&E point out, the money has not been received from the Round 5 or 6 claims. When the money comes in, it would be credited to the ERRA in the next calendar year, as has been done traditionally, at least for Edison and the other utilities. So --

ALJ McGARY: So it's a proposal to start with when the claim proceeds for Claim 5 are actually received?

MR. FREEDMAN: That's correct because our --

(Crosstalk.)

MR. FREEDMAN: -- because our modeling shows that the money is not needed. There's absolutely no basis for putting that money in the trust.

So our view is that when the Commission issued its last decision, it did so saying we're going to take another look at this the next time around. And this is the next time around. So we don't think the utilities are entitled to any presumption that either the Round 5 or 6 claims should have any particular treatment.

ALJ McGARY: Okay. So you're starting with Claim 5 --

MR. FREEDMAN: That's correct.

ALJ McGARY: -- if Claim 5 is received after the current 2024 NDCTP decision is entered?

MR. FREEDMAN: At any point that the claim is received, yes.

ALJ McGARY: Okay. And, Cal Advocates, Counsel

Parker, can you speak to that at well? Based on your proposal, the fifty-fifty split between ERRA and the NDTs, when are you proposing that start?

MR PARKER: Thank you, your Honor. We would also support TURN's recommendation that it starts when the funds are received. This is driven, in part, by the concern that we have. And this is why we suggested the fifty-fifty split because there's a lot of uncertainty that we've all seen now with the various estimates as to whether or not funds will be over or under. And our concern is we'd like to give some relief to ratepayers now. And having -- as soon as the money comes in, having the fifty-fifty split and then having 50 percent of that money return to the ERRA process to ratepayers, we believe would help with relieving them after, you know, multiple rate increases that they've experienced as well as an affordability crisis that everybody here is very well aware of. Thank you.

ALJ McGARY: Thank you.

Then I have another question unless -- Counsel Geesman, did you want to add anything?

MR. GEESMAN: (Inaudible.)

ALJ McGARY: Okay. All right. So my other question has to do with scoped issue number 12, which is -- put you on the hot seat here, Cal Advocates. So there is a concern about the 19.42 percent versus 25 percent for the contingency for PVN -- Palo Verde.

So my question about that -- well, actually, I'm going to start with you, but then I definitely want to hear from SCE about this. You noted that you didn't feel it was supported by the record. And I wanted to hear just a little bit more about that and why. And then I'd like to hear from SCE your sort of response and why.]

MR. PARKER: Thank you, your Honor. I'm going to go to -- I'm going to recommend and focus -- or direct your attention to Cal Advocates' Exhibit CA-0400. If you go to pages 8 and 9, you will see that there is a fuller discussion than I feel that I would be able to offer here with regard to exactly why we feel that the PVNGS estimate is overstated by 25 percent; and that the current percentage, which is 19.4, for contingency should stay. And, therefore, the $29.5-million increase should be denied.

ALJ McGARY: Mm-hm. I did review your opening brief (inaudible) your responsive briefs at (inaudible), your Exhibit 0400 at Bates 5 to 8, and (inaudible). So, I definitely have read it; but I'm just curious in -- well, not curious. It's my job.

I have some questions about -- you know, our job in these situations is forecasting. And there's a methodology to it. And there's always this question mark in the middle of that forecasting. So, rate -- you know, I understand your point -- the 19.4 percent, we don't see a reason to raise it to 25 percent; but I just want a little bit more from you about that reason.

MR. PARKER: Your Honor, from what I was told by the analysts and the experts on this, their concern was that the utilities didn't take into account any new factors or resources to support this 25 percent contingency estimate. The lack of data from them meant they felt it was not justified and that the utilities hadn't met their burden of proof to establish why 25 percent would be justified. And they, therefore, defaulted to the 19 -- the 19.4 percent rate.

ALJ McGARY: Okay. Thank you, Counsel Parker.

And, Counsel Jerman, do you want to speak to that?

MR. JERMAN: Sure. The -- so, there really is no new information regarding decommissioning assumptions and cost of Palo Verde. And the reason for that is because it's an operating facility. If the current NRC licenses expire without being renewed, the plant would not begin to go through the decommissioning phase until 2045 for the first unit. So decommissioning so far off into the future, it's appropriate to have a relatively-high contingency amount attached to the DCE. And the Commission has reviewed the DCE contingency for Palo Verde and multiple NDTCPs and has always supported -- or always approved that 25-percent contingency.

ALJ McGARY: Any other commissioners have questions on that before I move on?

(No response.)

ALJ McGARY: All right. So, this is my last question. And, hopefully, we can get out of here relatively soon.

So, this is related to Scoped Issue Number 4: Is the 2024 DCE for SONGS 2 and 3 reasonable?

And I have some questions, to put Counsel Geesman to the spotlight, related to your proposals or suggestion to shore up the assumptions a little bit by using the Nuclear Regulatory Commission's GIS modeling. I note that the modeling involves 60 years, 110 years, and -- I noted that in the briefing. SCE does not support doing modeling on all three.

So, I would like to hear a little bit more from you about why that's a better approach to the removal delays for both the -- granted in Class C and the spent nuclear fuel removal delays -- functions for those two things.

MR. GEESMAN: The Commission in the 2014 NDCTP recognized the uncertainty about how long spent fuel would stay onsite. If I recall correctly, the decision actually commended several of the parties for questioning these assumptions that said: No one has got a better assumption than simply adding three years to what was used previously.

In response to that lack of a better assumption, we searched for and found the Nuclear Regulatory Commission's Generic Environmental Impact Statement as to how it framed the uncertainty. And it determined that a short storage period onsite would be 60 years for analytic purposes; and that a long onsite storage period would be 160 years. And it bounded its analysis -- doesn't say so, but I believe based upon its expected assumptions about the life of the dry storage casks, it bounded its assessment between 60 and 160 years post-shutdown.

Now, under state law, CEQA, a California-permitting agency can in fact rely on -- and is expected to rely on a Federal environmental impact statement. So, we considered that to be a legitimate source of attempting to frame the analytic question. But it's more a function of: "What's your source for the assumption?"; than, "Is this ideally how you should do it?" Perhaps the period of time should be longer.

I'm sensitive to what Mr. Jerman says in terms of: It should be some kind of limit where there's no practical benefit from continuing to assess this in a single proceeding. And as Mr. Freedman suggests, economists use discount rates to determine that. So, there is a judgment call involved on the Commission's part by how best to frame the useful analytic task of assessing this uncertainty. The status quo clearly isn't working.

As Edison pointed out in the last NDTCP, the DOE's failure to perform its contractual obligation has already caused -- and this is three years ago -- $100 million of expenditure of funds that had been held in contingency. That's a hundred-million-dollar unplanned expenditure, they indicated they've repeated in this proceeding, the inability to sustain that kind of hit going forward.

So, A4NR's belief was: You need to impose a better, more-searching form of analysis. The best source we could find was that used by the Nuclear Regulatory Commission to frame the long-term storage and the short-term storage.

ALJ McGARY: Now, one other follow-up question before we go to you, Counsel Jerman and Counsel Waidelich.

If we were to include that modeling type in -- with -- is that an addendum to the current reasonableness framework and cost categorization, that grouping we have right now as a Commission process, to receive NDCTPs? Or would it be a separate proposed way of approaching the DCEs?

I'm just -- some of it is kind of curiosity. But the other was: If we were to consider it, or if I was to recommend it to the commissioners in some way, practical application, how does that happen? Just...

MR. GEESMAN: Rather than attempt a change on an ongoing basis, I would simply focus on the next round of NDTCP, and ask the applicant to include that certain analysis in the next round and determine then: Did this work for you or not? Was it of value, or was it completely marginal?

ALJ McGARY: Okay. Thank you for that. I just wanted a little clarity on that. I have read all of your papers.

MR. GEESMAN: Thank you, you Honor.

ALJ McGARY: So, Counsel Jerman and Counsel Waidelich, would you like to respond to any part of that related to Scoped Issue Number 4, proposal for modeling using some part of the NRC National -- Nuclear Regulatory Commission's GIS modeling?

MR. JERMAN: Sure. Yeah. As I mentioned before, we don't see a benefit to doing that modeling; because we've already identified when the funds for spent fuel management expire.

I should point out though that we have agreed to do, sort of, expanded modeling on spent fuel management in the next NDTCP; where if we receive the round-five litigation proceeds before that NDTCP, we'll do an analysis of the number of years we'd be able to support spent fuel management with those funds. So, in other words -- you know, assuming we fully exhaust all funds for spent fuel management, how many years would that get us to maintain spent fuel management of the SONGS site?

ALJ McGARY: Okay. Thank you.

I see a little bit of a head nod from you, Counsel Freedman. Do you want to add anything?

MR. FREEDMAN: No, thank you.

ALJ McGARY: Okay.

Do the commissioners have any more questions?

(No response.)

ALJ McGARY: Well, with that, we are adjourned.

Thank you for the extra 16 minutes. And we are off record.

(At the hour of 3:16 p.m., this matter having been concluded, the Commission then adjourned.)

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, JACQUELYN HAUPT, CERTIFIED SHORTHAND REPORTER NO. 13964, IN AND FOR THE STATE OF CALIFORNIA, DO HEREBY CERTIFY THAT THE PAGES OF THIS TRANSCRIPT PREPARED BY ME COMPRISE A FULL, TRUE, AND CORRECT TRANSCRIPT OF THE TESTIMONY AND PROCEEDINGS HELD IN THIS MATTER ON AUGUST 10, 2026.

I FURTHER CERTIFY THAT I HAVE NO INTEREST IN THE EVENTS OF THE MATTER OR THE OUTCOME OF THE PROCEEDING.

EXECUTED THIS AUGUST 17, 2026.

JACQUELYN HAUPT
CSR NO. 13964

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OF THE

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KARLY POWERS
CSR NO.#13991

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