

Docket : A.14-11-003, -004
Exhibit Number : ORA-8
Commissioner : M. Picker
ALJ : J. Wong, R. Lirag
Witness : M. Loy



**OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
San Diego Gas & Electric Company
Southern California Gas Company
Test Year 2016
General Rate Case**

SDG&E – Electric Generation and SONGS

San Francisco, California
April 24, 2015

TABLE OF CONTENTS

I. INTRODUCTION	1
II. SUMMARY OF RECOMMENDATIONS – ELECTRIC GENERATION.....	1
III. SUMMARY OF RECOMMENDATIONS – SONGS	3
<i>ELECTRIC GENERATION EXPENSES</i>	4
IV. GENERATION PLANT: OPERATIONS & MAINTENANCE (NON-SHARED).....	4
A. Overview of SDG&E’s Request	5
B. ORA’s Analysis.....	6
1. Palomar	6
2. Desert Star.....	6
3. Miramar	7
4. Cuyamaca Peak	7
V. RESOURCE PLANNING (NON-SHARED).....	7
A. Overview of SDG&E’s Request	7
B. ORA’s Analysis.....	8
VI. ADMINISTRATION (NON-SHARED)	8
A. Overview of SDG&E’s Request	9
B. ORA’s Analysis.....	9
VII. RESOURCE PLANNING – DIRECTOR (SHARED)	9
A. Overview of SDG&E’s Request	10
B. ORA’s Analysis.....	10
<i>ELECTRIC GENERATION CAPITAL EXPENDITURES</i>	11
VIII. SUMMARY OF ELECTRIC GENERATION CAPITAL EXPENDITURES.....	11
IX. TOOLS & TEST EQUIPMENT	12
A. Overview of SDG&E’s Request	13
B. ORA’s Analysis.....	13
X. MIRAMAR PLANT	13
A. Overview of SDG&E’s Request	14
B. ORA’s Analysis.....	14

XI. PALOMAR PLANT.....	15
A. Overview of SDG&E's Request	16
B. ORA's Analysis.....	16
XII. DESERT STAR PLANT	19
A. Overview of SDG&E's Request	19
B. ORA's Analysis.....	20
XIII. CUYAMACA PEAK PLANT.....	21
A. Overview of SDG&E's Request	22
B. ORA's Analysis.....	22
SONGS COSTS.....	23
XIV. SONGS EXPENSES	23
A. Overview of SDG&E's Request	24
B. ORA's Recommendations	25
XV. SUMMARY OF SONGS CAPITAL EXPENDITURES	25
XVI. SONGS CAPITAL EXPENDITURES – MARINE MITIGATION	26
A. Overview of SDG&E's Request	26
B. ORA's Recommendations	27

1 **SDG&E – ELECTRIC GENERATION and SONGS**

2 **I. INTRODUCTION**

3 This exhibit presents the Office of Ratepayer Advocates' (ORA) analyses and
4 recommendations on Electric Generation and the San Onofre Nuclear Generating
5 Station (SONGS) for San Diego Gas & Electric Company (SDG&E) in its Test Year
6 (TY) 2016 General Rate Case (GRC). Specifically, ORA addresses SDG&E's
7 forecasts of operation and maintenance (O&M) expenses for TY 2016 and capital
8 expenditures for 2014 through 2016. The scope of this exhibit includes the three
9 primary areas of Electric Generation—generation plant, resource planning, and
10 administration—as well as SDG&E's 20% minority ownership of SONGS.

11 **II. SUMMARY OF RECOMMENDATIONS – ELECTRIC**
12 **GENERATION**

13 ORA recommends SDG&E's TY 2016 Electric Generation O&M expenses be
14 reduced by \$ 6.37 million (2013 dollars) or 13.27 percent. This adjustment is
15 attributable to incorporating the most recent 2014 adjusted-recorded expense data
16 into forecast methodologies for each account.

17 For Electric Generation capital expenditures, ORA's forecasts are lower than
18 SDG&E's forecasts by \$4.75 million or 27.95 percent in 2014, \$5.25 million or
19 165.89 percent in 2015, and \$2.84 million or 51.67 percent in 2016.
20

1 Table 8-1 compares ORA's and SDG&E's TY 2016 forecasts of Non-Shared
 2 Electric Generation expenses:

3 Table 8-1
 4 Non-Shared Electric Generation O&M Expenses for TY 2016
 5 (in Thousands of 2013 Dollars)

Description (a)	ORA Recommended (b)	SDG&E Proposed ¹ (c)	Amount SDG&E>ORA (d=c-b)	Percentage SDG&E>ORA (e=d/b)
Generation Plant	\$ 45,871	\$ 50,829	\$ 4,959	10.81%
Resource Planning	410	1,261	850	207%
Administration	1,082	1,381	299	27.59%
Total	\$ 47,307	\$ 53,471	\$ 6,164	13.03%

6 Table 8-2 compares ORA's and SDG&E's TY 2016 forecasts of Shared
 7 Electric Generation expenses:

8 Table 8-2
 9 Shared Electric Generation O&M Expenses for TY 2016
 10 (in Thousands of 2013 Dollars)

Description (a)	ORA Recommended (b)	SDG&E Proposed ² (c)	Amount SDG&E>ORA (d=c-b)	Percentage SDG&E>ORA (e=d/b)
Resource Planning – Director	\$735	\$944	\$209	28.51%
Total	\$735	\$944	\$209	28.51%

11
 12

¹ Ex. SDG&E-11-WP, p. 2 of 62.

² Ex. SDG&E-11-WP, p. 1 of 62.

1 Table 8-3 compares ORA's and SDG&E's 2014-2016 forecasts of Electric
 2 Generation capital expenditures:

3 Table 8-3
 4 Electric Generation Capital Expenditures for 2014-2016
 5 (in Thousands of 2013 Dollars)

Description	ORA Recommended			SDG&E Proposed ³		
	2014	2015	2016	2014	2015	2016
Tools & Test Equip.	\$164	\$164	\$164	\$471	\$471	\$471
Miramar	1,929	100	100	2,223	430	300
Palomar	5,763	1,385	622	6,729	4,161	2,796
Desert Star	5,484	1,179	3,866	10,885	1,734	4,480
Cuyamaca Peak	-	1,083	-	1,428	1,612	300
Total	\$13,340	\$3,912	\$4,753	\$21,736	\$8,408	\$8,347

6 **III. SUMMARY OF RECOMMENDATIONS – SONGS**

7 In D.06-11-026, the Commission authorized “SDG&E to recover through a
 8 two-way balancing account the difference between authorized and actual SONGS
 9 operations and maintenance (O&M) expenses billed by SCE.”⁴ These O&M
 10 expenses include Marine Mitigation, Workers Compensation and Unit 1.⁵ The San
 11 Onofre Nuclear Station Balancing Account is subject to refund pursuant to a
 12 reasonableness review. For this reason, SDG&E’s request in this GRC is
 13 unnecessary because actual costs are being tracked subject to refund.

- 14 • ORA recommends any rate recovery for O&M expenses be tracked and
 15 made subject to refund pursuant to a future reasonableness review of
 16 SDG&E’s San Onofre Nuclear Generation Station Balancing Account.

³ Ex. SDG&E-11-CWP, p. 2 of 83.

⁴ D.06-11-026, p. 2, *mimeo*.

⁵ *Ibid.*, p. 1, fn. 1, *mimeo*. Also, see Application A.15-02-006, Ex. SDGE-03 (Tables 1 and 2), p. 2; and Application A.13-03-013, Ex. SDG&E-3, “Workpapers Supporting the Prepared Direct Testimony Michael L. De Marco on Behalf of San Diego Gas & Electric Company,” March 19, 2013. This exhibit does not have page numbers but Unit 1 Spent Fuel Storage is identified on the table entitled, “**Purpose:** 2012 Unit 1 Spent Fuel Storage at GE-Hitachi, Morris IL”.

1 incorporating 2014 adjusted-recorded data into the forecast methodology. Table 8-6
2 compares TY 2016 forecasts to historical, including 2014 adjusted-recorded
3 expenses. SDG&E is requesting \$50.8 million (2013 dollars) which exceeds ORA's
4 recommendation of \$45.87 million (2013 dollars) by \$5.0 million or 10.81 percent.

5 **A. Overview of SDG&E's Request**

6 SDG&E is requesting a grand total of \$50.8 million (2013 dollars) which is a
7 24.9 percent increase over 2013 adjusted-recorded expense but practically identical
8 to 2014 adjusted-recorded expenses.

9 Maintenance outages drive the major portion of Non-Shared O&M expenses
10 at power generation facilities. Maintenance is scheduled routinely, with the scope of
11 the maintenance work driven by the accumulated run hours and the number of
12 turbine starts. In this respect, Palomar Energy Center and Desert Star Energy
13 Center had major outages in 2014 and both implemented new service arrangements
14 in 2014.

15 Other key discrete cost drivers have occurred since SDG&E's last GRC. In
16 late 2011 SDG&E began operations at El Dorado, renaming it Desert Star Energy
17 Center, and in January 2012, it acquired Cuyamaca Peak Energy Plant.
18

1
2
3
4

Table 8-6
Operations and Maintenance Expenses
2009-2014 Adjusted-Recorded and 2016 Forecast
(in Thousands of 2013 Dollars)

Description	2009	2010	2011	2012	2013	2014	SDG&E 2016	ORA 2016
Palomar	\$16,217	\$12,045	\$13,444	\$21,167	\$17,554	\$23,763	\$22,788	\$22,788
Desert Star	0	0	13,940	19,756	18,705	24,033	24,641	19,682
Miramar	691	1,319	1,879	2,478	3,380	1,787	2,264	2,264
Cuyamaca Peak	0	0	0	768	892	1,052	1,137	1,137
Total	\$16,908	\$13,364	\$29,263	\$44,469	\$40,698	\$50,808	\$50,830	\$ 45,871

5 Source: 2009-2013 data from Ex. SDG&E-11-WP, pp. 6, 12, 19 and 24. 2014 data from March 13,
6 2015 email from Sempra to ORA.

7 **B. ORA's Analysis**

8 All of ORA's reductions originate from incorporating the 2014 adjusted-
9 recorded expense data into the forecasting methodology. If the net change in an
10 account was more than 5%, then ORA made a recommendation to reduce SDG&E's
11 request. In regard to generation plant O&M, ORA makes only one recommendation.
12 As explained below, Desert Star Energy Center O&M should be reduced by \$5.0
13 million (2013 dollars). Alternatively, at this time, ORA has no reductions for
14 Palomar, Miramar, and Cuyamaca.

15 **1. Palomar**

16 For O&M expenses ORA has no differences with SDG&E at this time and
17 makes no recommended reductions.

18 **2. Desert Star**

19 For O&M expenses, ORA recommends a \$5.0 million (2013 dollars) or 25.20
20 percent reduction to SDG&E's TY proposal of \$24.64 million (2013 dollars). ORA,
21 unlike SDG&E, used recorded-adjusted 2014 data to construct 3-year averages for
22 Nonlabor and NSE expenses representing the first complete 3 calendar years of
23 operation.⁸ In regard to its 2014 experience, Desert Star Energy Center had a

⁸ Ex. SDG&E-11-WP, p. 12 of 62, "Activity Description."

1 major outage and implemented a new service arrangement making 2014 uniquely
2 reflective of an upper bound in the cost trend range, especially when compared to
3 2012 and 2013. Furthermore, ORA notes that a comparison of actual, recorded
4 2014 data to SDG&E's 2014 forecast belies SDG&E claim that "Base YR Rec" and
5 "Zero-Based" methods result in the best forecasts or capture the year-to-year
6 fluctuations better than ORA's 3-year average. ORA has no adjustments to Labor
7 expenses at this time.

8 **3. Miramar**

9 For O&M expenses ORA has no differences with SDG&E at this time and
10 makes no recommended reductions.

11 **4. Cuyamaca Peak**

12 For O&M expenses ORA has no differences with SDG&E at this time and
13 makes no recommended reductions.

14 **V. RESOURCE PLANNING (Non-Shared)**

15 As shown in Table 8-7 below, SDG&E is requesting \$1,260,000 (2013 dollars)
16 which exceeds ORA's recommendation of \$410,000 (2013 dollars) by \$850,000 or
17 207 percent. ORA's reduction is the result of incorporating 2014 adjusted-recorded
18 data into the forecast methodology. Table 8-7 compares TY 2016 forecasts to
19 historical, including 2014 adjusted-recorded expenses.

20 The primary cost drivers for Resource Planning are state regulatory policies
21 and programs, including SONGS decommissioning and utility-owned solar
22 photovoltaic programs.

23 **A. Overview of SDG&E's Request**

24 SDG&E is requesting an increase in personnel for "combined" solar programs
25 and for an expected increase in work attendant to the transition to decommissioning

1 at SONGS. SDG&E used a three-year average as a base upon which these
2 discrete adjustments were made.⁹

3 Table 8-7
4 Resource Planning Expenses
5 2009-2014 Recorded and 2016 Forecast
6 (in Thousands of 2013 Dollars)

Description	2009	2010	2011	2012	2013	2014	SDG&E 2016	ORA 2016
Resource Planning	\$352	\$347	\$362	\$486	\$425	\$432	\$1,260	\$410

7 Source: 2009-2013 data from Ex. SDG&E-11-WP, pp. 30-32. 2014 data from March 13, 2015 email
8 from Sempra to ORA.

9 **B. ORA's Analysis**

10 All of ORA's reductions originate from incorporating the 2014 adjusted-
11 recorded expense data into the forecasting methodology. SDG&E did not use 2014
12 adjusted-recorded data. If the net change in an account was more than 5%, then
13 ORA made a recommendation to reduce SDG&E's request. 2014 is a key year for
14 SDG&E's proposals to increase personnel because SDG&E forecast all three
15 increases to occur or start in 2014. As a result of this 2014 experience and SDG&E's
16 use of averages from 2011-2013, ORA's recommendations are five-year averages
17 that include the 2014 adjusted-recorded expenses. The resultant ORA total of
18 \$410,000 (2013 dollars) for the TY is \$850,000 or 207 percent lower than SDG&E's
19 proposal.

20 **VI. ADMINISTRATION (Non-Shared)**

21 As shown in Table 8-8 below, SDG&E is requesting \$1.38 million (2013
22 dollars) which exceeds ORA's recommendation of \$1.08 million (2013 dollars) by
23 \$299,000 or 27.59 percent. ORA's reduction is the result of incorporating 2014
24 adjusted-recorded data into the forecast methodology. Table 8-8 compares TY 2016
25 forecasts to historical, including 2014 adjusted-recorded expenses.

⁹ Adjusted-recorded 2011 through 2013. Ex. SDG&E-11-WP, pp. 30-32.

1 28.51 percent. ORA’s reduction is the result of incorporating 2014 adjusted-
2 recorded data into the forecast methodology. Table 8-9 compares TY 2016
3 forecasts to historical, including 2014 adjusted-recorded expenses.

4 **A. Overview of SDG&E’s Request**

5 SDG&E expects expenditures to remain near historical levels with the
6 addition of new personnel for two “backfill” positions. These new costs are expected
7 to commence in 2014.¹¹

8 Table 8-9
9 Resource Planning – Director Expenses
10 2009-2014 Recorded and 2016 Forecast
11 (in Thousands of 2013 Dollars)

Description	2009	2010	2011	2012	2013	2014	SDG&E 2016	ORA 2016
Resource Planning – Director	\$712	\$693	\$859	\$717	\$702	\$755	\$944	\$735

12 Source: 2009-2013 data from Ex. SDG&E-11-WP, pp. 38-52. 2014 data from March 13, 2015 email
13 from Sempra to ORA.

14 **B. ORA’s Analysis**

15 ORA’s reductions originate from incorporating the 2014 adjusted-recorded
16 expense data into the forecasting methodology. SDG&E did not use 2014 adjusted-
17 recorded data. SDG&E’s proposal to increase personnel starts in 2014. As a result
18 of this 2014 experience, ORA used a three-year average, as SDG&E did, but
19 including 2014 data. The resultant ORA TY total of \$735,000 (2013 dollars) is \$
20 209,000 or 28.51 percent lower than SDG&E’s proposal.

¹¹ Ex. SDG&E-11-WP, pp. 53 – 61.

ELECTRIC GENERATION CAPITAL EXPENDITURES

VIII. SUMMARY OF ELECTRIC GENERATION CAPITAL EXPENDITURES

As explained below, ORA recommends the following adjustments to SDG&E's proposals for capitalized expenditures (2013 dollars):

- ✓ 2014 - Remove \$4.79 million from SDG&E's request that exceeds ORA's recommendation by 28.29 percent;
- ✓ 2015 - Remove \$5.28 million from SDG&E's request that exceeds ORA's recommendation by 169.00 percent;
- ✓ 2016 - Remove \$2.82 million from SDG&E's request that exceeds ORA's recommendation by 51.04 percent.

These reductions are the result of the following:

- Incorporating 2014 and two months of 2015 adjusted-recorded data into the forecast methodology.
- No justification for a capital project being necessary for safe, reliable operation.
- No estimate of claimed savings.
- No risk assessment linking safety priorities with GRC expenditure requests.¹²

Table 8-10 compares forecasts for capitalized expenditures and Table 8-11 shows the adjusted-recorded capital expenditures from 2009 through 2014.

¹² Safety and Enforcement Division Risk Assessment Section; Staff Report on Southern California Gas Company & San Diego Gas and Electric Company 2016-2018 Consolidated General Rate Case Applications A.14-11-003 and A.14-11-004, Executive Summary, p. 3.

1
2
3
4

Table 8-10
Electric Generation
Forecast 2014-2016 Capitalized Expenditures
(in Thousands of 2013 Dollars)

Description	ORA Recommended			SDG&E Proposed		
	2014	2015	2016	2014	2015	2016
Tools & Test Equip	\$164	\$164	\$164	\$470	\$470	\$470
Miramar	1,929	100	100	2,223	430	300
Palomar	5,665	1,385	622	6,729	4,161	2,796
Desert Star	9,183	393	4,639	10,885	1,734	4,480
Cuyamaca Peak	-	1,083	-	1,428	1,612	300
Total	\$16,987	\$3,162	\$5,503	\$21,735	\$8,407	\$8,346

5
6
7
8
9
10

Table 8-11
Electric Generation
Recorded 2009-2014 Capital Expenditures
(in Thousands of 2013 Dollars)

Description	2009	2010	2011	2012	2013
Tools & Test Equip	\$(19)	\$(2)	\$0	\$706	\$304
Miramar	44	1,510	1,751	485	920
Palomar	5,441	8,711	10,007	11,216	10,267
Desert Star	0	0	2,165	2,150	4,607
Cuyamaca Peak	0	0	0	215	227
Total	\$5,466	\$10,219	\$13,948	\$14,868	\$16,490

11 Source: 2009-2013 data from ORA data request ORA Informal DR-04.

12 **IX. TOOLS & TEST EQUIPMENT**

13 As shown in Table 8-12 below, SDG&E is requesting \$470,000 (2013 dollars)
14 which exceeds ORA's recommendation of \$164,000 (2013 dollars) by \$ 305,000 or
15 185.83 percent. ORA's reduction is the result of using 2014 adjusted-recorded data
16 and a five-year average to capture to yearly fluctuations in this account. Table 8-11,
17 above, shows adjusted-recorded data from 2009 through 2014.

18

1 Table 8-12 compares ORA's recommendations to SDG&E's requests.

2 Table 8-12
3 Tools & Test Equipment
4 Forecast 2014-2016 Capital Expenditures
5 (in Thousands of 2013 Dollars)

Description	ORA Recommended			SDG&E Proposed ¹³		
	2014	2015	2016	2014	2015	2016
Tools & Test Equip	\$164	\$164	\$164	\$470	\$470	\$470

6

7 **A. Overview of SDG&E's Request**

8 SDG&E uses a "zero-based" forecast method because, it claims, purchases
9 are unique and non-repetitive making prior years non-representative of future
10 activity.¹⁴

11 **B. ORA's Analysis**

12 Using Table 8-11 to compare SDG&E's forecast to actual, adjusted-recorded
13 data, ORA found that SDG&E's zero-based forecast did not reflect the dramatic
14 fluctuations in real activity, from zero dollars in several years to over \$700,000 in one
15 year. For this reason, ORA used a five-year average as SDG&E's Authorized Work
16 Orders over-stated, on average, past experience by not capturing the years when no
17 capitalized expenditures are made.

18 **X. MIRAMAR PLANT**

19 As shown in Table 8-13 below, SDG&E is requesting \$2.22 million for 2014,
20 \$430,000 for 2015, and \$300,000 for TY 2016. SDG&E's requests exceed ORA's
21 recommendations by \$294,000 or 15.24 percent for 2014, \$330,000 or 330 percent
22 for 2015, and \$200,000 or 200 percent for 2016. As shown in Table 8-13 ORA is
23 recommending \$1.93 million (2013 dollars) for 2014 and \$100,000 (2013 dollars) for
24 2015 and TY 2016.

¹³ Ex. SDG&E-11, p. CSL-28.

¹⁴ Ex. SDG&E-11, pp. 7 and 8.

1 Table 8-11, above, shows adjusted-recorded data from 2009 through 2014.

2 Table 8-13
3 Miramar Plant
4 Forecast 2014-2016 Capital Expenditures
5 (in Thousands of 2013 Dollars)

Description	ORA Recommended			SDG&E Proposed ¹⁵		
	2014	2015	2016	2014	2015	2016
Miramar Plant	\$1,929	\$100	\$100	\$2,223	\$430	\$300

6

7 **A. Overview of SDG&E’s Request**

8 SDG&E used a “zero-based” method which is a project by project budget-
9 based method. SDG&E identifies five projects comprising its request.¹⁶

10 **B. ORA’s Analysis**

11 As explained in this section’s Summary on Capitalized Expenditures, above,
12 ORA scrutinized SDG&E’s workpapers and Authorized Work Orders to answer the
13 following questions:

- 14 • Did SDG&E provide sufficient evidence that its proposed project is
15 necessary for safe and reliable operation of the facility?
- 16 • Did SDG&E provide estimates of significant savings attendant to the
17 completion of the project?
- 18 • Did SDG&E provide a link showing where this project fits in its safety
19 assessment priorities?

20

¹⁵ Ex. SDG&E-11, p. CSL-27.

¹⁶ Ex. SDG&E-11, pp. CSL-28 through CSL-30.

1 On a project by project basis the following are ORA's conclusions supporting
2 its recommendations:

- 3 1. Alternate Power Supply: SDG&E did not provide any evidence that
4 this project is necessary, produces significant savings, and/or is a
5 priority that must be corrected to reduce risk.
- 6 2. Mechanical Improvements: No Work Order Authorization showing
7 that this routine work is really a capital expenditure as opposed to
8 merely a line item in a rate case.
- 9 3. Instrumentation Improvements: No Work Order Authorization
10 showing that this routine work is really a capital expenditure as
11 opposed to merely a line item in a rate case.
- 12 4. Turbine Controls Upgrade: ORA used the amount budgeted in
13 Work Order Authorization# 2651055, at \$1.83 million (2013 dollars)
14 rather than SDG&E requested amount of \$1.923 million (2013
15 dollars).
- 16 5. Electrical Improvements: ORA has no adjustments at this time.

17 **XI. PALOMAR PLANT**

18 As shown in Table 8-14 below, SDG&E is requesting \$6.73 million for 2014,
19 \$4.16 million for 2015, and \$2.80 million for TY 2016. Respectively (and in 2013
20 dollars), these exceed ORA's recommendations by \$1.06 million or 19.08% percent,
21 \$ 2.78 million or 207.12% percent, and \$ 2.17 million or 362.33% percent. As shown
22 in Table 8-14 ORA is recommending \$5.67 million (2013 dollars) for 2014 and \$1.39
23 million (2013 dollars) for 2015 and \$622,000 (2013 dollars) in TY 2016.

24

1 Table 8-11, above, shows adjusted-recorded data from 2009 through 2014.

2 Table 8-14
3 Palomar Plant
4 Forecast 2014-2016 Capital Expenditures
5 (in Thousands of 2013 Dollars)

Description	ORA Recommended			SDG&E Proposed ¹⁷		
	2014	2015	2016	2014	2015	2016
Palomar Plant	\$5,665	\$1,385	\$622	\$6,729	\$4,161	\$2,796

6

7 **A. Overview of SDG&E’s Request**

8 SDG&E used a “zero-based” method which is a project by project budget-
9 based method. SDG&E identifies twenty-eight projects comprising its request.¹⁸

10 **B. ORA’s Analysis**

11 ORA’s method is explained in the Summary to this Section, above. In the
12 following subsection, ORA will reference this explanation as it addresses only those
13 projects for which ORA is making an adjustment.

14 On a project item by project item basis the following are ORA’s conclusions
15 supporting its recommended adjustments. For those items not addressed here,
16 ORA has no adjustments at this time.

17 Item 2 – Generator Step-Up Bushing Seismic Upgrade: ORA used the
18 amount budgeted in Work Order Authorization # 2650431, at \$520,000 (2013
19 dollars) rather than SDG&E requested amount of \$1.54 million (2013 dollars). This
20 impacts 2015.

21 Item 3 – Hot Reheat Drain Pot Condenser Upgrade: Work Order
22 Authorization #2650941 states that this project has been delayed but does not state
23 how long. ORA removed \$138,000 (2013 dollars) from 2014 to reflect this
24 uncertainty.

¹⁷ Ex. SDG&E-11, p. CSL-27.

¹⁸ Ex. SDG&E-11-CWP, pp. 22-48.

1 Item 5 – Exhaust Frame Flex Seal Upgrade: No Work Order Authorization for
2 this project. ORA removed \$158,000 (2013 dollars) from 2014 to reflect that this
3 project is not authorized.

4 Item 6 – Steam Turbine Upgraded N2 Packing: Work Order Authorization
5 #2650654 identifies the actual amount to be \$204,156. ORA reduced SDG&E's
6 2014 request by \$108,000 to reflect the authorized amount for this project.

7 Item 8 – Drum Level Control Valves using Linear Variable Displacement
8 Transformer: Accounting records for AWO #2650937 show that \$30,577 was
9 actually spent. ORA reduced SDG&E's 2014 request of \$51,000 by \$20,400.

10 Item 9 – Move Air Lines Above Ground: SDG&E did not provide any
11 supporting documentation proving that this project is necessary, results in any cost
12 savings, and/or is linked to a risk assessment showing that this project is a priority.
13 ORA removed \$200,000 (2013 dollars) from SDG&E's TY 2016 request.

14 Item 10 – Steam Turbine Condenser Water Box Coating: Accounting records
15 show that this project has been delayed but does not explain how long. ORA
16 removed SDG&E's 2014 request for \$100,000 (2013 dollars).

17 Item 11 – Relocate Sample Panels to New Water Lab: Accounting records
18 show that this project actually cost \$363,000. For this reason, ORA reduced
19 SDG&E's 2014 request of \$590,000 by \$127,000.

20 Item 13 - Bypass Quick Change Trim Upgrade: Accounting records show that
21 this project actually cost \$345,500. For this reason, ORA reduced SDG&E's 2014
22 request of \$390,000 by \$44,500.

23 Item 17 – Revenue Meter Upgrade: Work Order Authorization #2650938
24 indicates that this upgrade is needed to replace the wrong type of connectors. ORA
25 has concluded that this mistake should be paid by shareholders not ratepayers.
26 ORA removed SDG&E 2014 request for \$58,000.

27 Item 21 – Security Improvements: ORA found no evidence that in 2014 this
28 project was authorized and any money was expended. For these reasons, ORA
29 removed SDG&E's 2014 request for \$211,000.

30 Item 22 – Upgrade Programmable Logic Controllers: ORA found no evidence
31 that this project was authorized with a Work Order Authorization. In addition,

1 SDG&E did not justify this project by showing it is necessary, providing estimated
2 savings, and/or linking it to a risk assessment demonstrating it is a priority. For
3 these reasons, ORA removed SDG&E's 2015 request for \$800,000 (2013 dollars).

4 Item 23 – Upgrade Chiller MK Vle to Ovation: ORA found that Ovation
5 supports GE's Mark Vle.¹⁹ For this reason, ORA concluded that this project is not
6 necessary. In addition, SDG&E did not justify this project by providing estimated
7 savings, and/or linking it to a risk assessment demonstrating it is a priority. For
8 these reasons, ORA removed SDG&E's 2015 request for \$303,000 (2013 dollars).

9 Item 24 – Inlet Guide Cane and Gas Control Valve Upgrade: ORA could not
10 find a Work Order Authorization for this 2015 project. In addition, SDG&E did not
11 justify this project by showing that it is necessary for operation of the facility,
12 providing estimated savings, and/or linking it to a risk assessment demonstrating it is
13 a priority. For these reasons, ORA removed SDG&E's 2015 request for \$553,000
14 (2013 dollars).

15 Item 25 – Chiller Triple Duty Valve Replacement: ORA could not find a Work
16 Order Authorization for this 2015 project. In addition, SDG&E did not justify this
17 project by showing that it is necessary for operation of the facility, providing
18 estimated savings, and/or linking it to a risk assessment demonstrating it is a priority.
19 For these reasons, ORA removed SDG&E's 2015 request for \$105,000 (2013
20 dollars).

21 Item 26 – Exciter Upgrade to Ovation: SDG&E did not justify this Distributed
22 Control System project by showing that it is necessary for operation of the facility,
23 providing estimated savings, and/or linking it to a risk assessment demonstrating it is
24 a priority. In addition, ORA could not locate a Work Order Authorization for this 2016
25 project. For these reasons, ORA removed SDG&E's TY request for \$845,000 (2013
26 dollars).

27 Item 27 – Load Commutated Inverter Upgrade to Ovation: SDG&E did not
28 justify this project by showing that it is necessary for operation of the facility,
29 providing estimated savings, and/or linking it to a risk assessment demonstrating it is

¹⁹ www2.emersonprocess.com/siteadmincenter/.../pws_002794.pdf

1 a priority. In addition, ORA could not locate a Work Order Authorization for this 2016
 2 project. For these reasons, ORA removed SDG&E's TY request for \$575,000 (2013
 3 dollars).

4 Item 28 – Replace Ovation Testing and Training with In-House Laboratory:
 5 ORA objects to SDG&E replacing Ovation's training and testing with its own in-
 6 house version. It is unnecessary because Ovation provides support and training. It
 7 is unfair because SDG&E is a monopoly franchise with captive customers who
 8 cannot avoid such duplicative extravagances. For these reasons, ORA removed
 9 SDG&E's TY request for \$554,000 (2013 dollars).

10 **XII. DESERT STAR PLANT**

11 As shown in Table 8-15 below, SDG&E is requesting \$10.89 million for 2014,
 12 \$1.73 million for 2015, and \$4.48 million for TY 2016. Respectively (and in 2013
 13 dollars), these exceed ORA's by \$1.70 million or 18.62 percent in 2014 and \$1.34
 14 million or 349 percent. For 2016, SDG&E is less than ORA by \$159,000 or 3.47
 15 percent because ORA used more recent information which resulted in a work order
 16 being delayed from 2015 to 2016. As shown in Table 8-15 ORA is recommending
 17 \$9.18 million for 2014, \$393,000 for 2015, and \$4.64 million for TY 2016.

18 Table 8-11, above, shows adjusted-recorded data from 2009 through 2014.

19 Table 8-15
 20 Desert Star Plant
 21 Forecast 2014-2016 Capital Expenditures
 22 (in Thousands of 2013 Dollars)

Description	ORA Recommended			SDG&E Proposed ²⁰		
	2014	2015	2016	2014	2015	2016
Desert Star Plant	\$9,183	\$393	\$4,639	\$10,885	\$1,734	\$ 4,480

23

24 **A. Overview of SDG&E's Request**

25 SDG&E used a "zero-based" method which is a project by project budget-
 26 based method. SDG&E identifies twenty-two projects comprising its request.²¹

²⁰ Ex. SDG&E-11, p. CSL-27.

1 **B. ORA’s Analysis**

2 ORA’s method is explained in the Summary to this Section, above. In the
3 following subsection, ORA will reference this explanation as it addresses only those
4 projects for which ORA is making an adjustment.

5 On a project item by project item basis the following are ORA’s conclusions
6 supporting its recommended adjustments. For those items not addressed here,
7 ORA has no adjustments at this time.

8 Item 3 – Steam Turbine Blade Replacement: ORA found accounting records
9 that show SDG&E actually spent \$3.67 million on Work Order Authorization
10 #2650936 rather than the \$3.94 million it is requesting. For this reason, ORA
11 reduced SDG&E’s 2014 request by \$270,000.

12 Item 4 – Vibration Monitoring System Upgrade: ORA found accounting
13 records that show SDG&E actually spent \$413,600 on Work Order Authorization
14 #2651036 rather than the \$441,000 it is requesting. For this reason, ORA reduced
15 SDG&E’s 2014 request by \$28,000.

16 Item 5 – Ammonia Dilution Blower Upgrade: ORA found accounting records
17 that show SDG&E actually spent \$138,000 on Work Order Authorization #2651035
18 rather than the \$161,000 it is requesting. For this reason, ORA reduced SDG&E’s
19 2014 request by \$23,000.

20 Item 8 – Combustion Turbine 2 Inlet Filter Media Upgrade: ORA found
21 accounting records that show SDG&E actually spent \$162,000 on Work Order
22 Authorization #2651034 rather than the \$182,000 it is requesting. For this reason,
23 ORA reduced SDG&E’s 2014 request by \$20,000.

24 Item 9 – Heat Recovery Steam Generator Penetration Seal Upgrades:
25 SDG&E did not provide a Work Order Authorization or accounting records for this
26 2014 project. For this reason, ORA removed \$294,000 (2013 dollars) from
27 SDG&E’s 2014 request.

(continued from previous page)

²¹ Ex. SDG&E-11-CWP, pp. 54-73.

1 Item 11 – Desuperheater Upgrades: SDG&E did not justify this project by
2 showing that it is necessary for operation of the facility, providing estimated savings,
3 and/or linking it to a risk assessment demonstrating it is a priority. For these
4 reasons, ORA removed SDG&E's 2014 request for \$161,000 (2013 dollars).

5 Item 12 – Combustion Turbine 2 Air Inlet Personnel Access Improvements:
6 SDG&E did not provide a Work Order Authorization or accounting records for this
7 2014 project. For this reason, ORA removed \$150,000 (2013 dollars) from
8 SDG&E's 2014 request.

9 Item 14 – Mechanical Improvements: ORA found accounting records that
10 show SDG&E actually spent \$15,340 on Work Order Authorization #2651030 rather
11 than the \$212,000 it is requesting. For this reason, ORA reduced SDG&E's 2014
12 request by \$196,660 and this adjustment carries over to 2015 and TY 2016.

13 Item 15 – Instrumentation Improvements: ORA found accounting records that
14 show SDG&E actually spent \$29,860 on Work Order Authorization #2651028 rather
15 than the \$212,000 it is requesting. For this reason, ORA reduced SDG&E's 2014
16 request by \$182,139 and this adjustment carries over to 2015 and TY 2016.

17 Item 16 – Electrical Improvements: SDG&E did not provide a Work Order
18 Authorization or accounting records for this 2014 project. For this reason, ORA
19 removed \$212,000 (2013 dollars) from SDG&E's request for 2014, 2015 and TY
20 2016.

21 **XIII. CUYAMACA PEAK PLANT**

22 As shown in Table 8-16 below, SDG&E is requesting \$1.43 million for 2014,
23 \$1.61 million for 2015, and \$300,000 for TY 2016. Respectively (and in 2013
24 dollars), these exceed ORA's recommendations by \$1.43 million or 100%, \$529,000
25 or 48.8 percent, and \$300,000 or 100%. As shown in Table 8-16 ORA is
26 recommending \$0 for 2014, \$1.08 million for 2015, and \$0 for TY 2016.

27 Table 8-11, above, shows adjusted-recorded data from 2009 through 2014.
28

1
2
3
4

Table 8-16
Cuyamaca Peaker Plant
Forecast 2014-2016 Capital Expenditures
(in Thousands of 2013 Dollars)

Description	ORA Recommended			SDG&E Proposed ²²		
	2014	2015	2016	2014	2015	2016
Cuyamaca Peaker	\$0	\$1,083	\$0	\$1,428	\$1,612	\$300

5

6 **A. Overview of SDG&E’s Request**

7 SDG&E used a “zero-based” method which is a project by project budget-
8 based method. SDG&E identifies twenty-two projects comprising its request.²³

9 **B. ORA’s Analysis**

10 ORA’s method is explained in the Summary to this Section, above. In the
11 following subsection, ORA will reference this explanation as it addresses only those
12 projects for which ORA is making an adjustment.

13 On a project item by project item basis the following are ORA’s conclusions
14 supporting its recommended adjustment. For those items not addressed here, ORA
15 has no adjustments at this time.

16 Item 1 – New Fuel Flow Metering: SDG&E did not provide a Work Order
17 Authorization or accounting records for this 2015 project. For this reason, ORA
18 removed \$229,000 (2013 dollars) from SDG&E’s request for 2015.

19 Item 2 – Black Start Generator: SDG&E did not justify this project by showing
20 that it is necessary for operation of the facility, providing estimated savings, and/or
21 linking it to a risk assessment demonstrating it is a priority. For these reasons, ORA
22 removed SDG&E’s 2014 request for \$1.13 million (2013 dollars).

23 Item 3 – Mechanical Improvements: SDG&E did not provide a Work Order
24 Authorization or accounting records for this 2014 project. For this reason, ORA
25 removed \$100,000 (2013 dollars) from SDG&E’s request for 2014, 2015 and TY
26 2016.

²² Ex. SDG&E-11, p. CSL-27.

²³ Ex. SDG&E-11-CWP, pp. 78-83.

1
2
3
4

Table 8-17
Unit 1 Offsite Spent Fuel Storage Expenses
2009-2014 Recorded and 2016 Forecast
(in Thousands of 2013 Dollars)

Description	2009	2010	2011	2012	2013	2014	SDG&E 2016	ORA 2016
Unit 1 Offsite Spent Fuel Storage	\$1,025	\$1,021	\$1,025	\$1,025	\$1,021	\$999	\$1,040	\$1,040
MIP Worker's Comp	255	194	162	232	312	460	272	272
Total	\$1,280	\$1,215	\$1,187	\$1,257	\$1,333	\$1,459	\$1,312	\$1,312

5 Source: 2009-2013 data from Ex. SDG&E-12-WP, p. 14. 2014 data from March 13, 2015 email from
6 Sempra to ORA.

7 **A. Overview of SDG&E's Request**

8 SDG&E claims that under existing Commission procedure since 2013,
9 SONGS' O&M and capital are categorized as decommissioning costs and have
10 been removed from GRCs. There are only 3 exceptions: Marine Mitigation, the
11 "Master Insurance Plan", and SONGS Unit 1 – spent nuclear fuel storage costs.²⁶
12 Marine Mitigation capital additions are being litigated in Southern California Edison's
13 2015 GRC Application (A.) 13-11-003. Unit 1 spent fuel storage costs are being
14 litigated in Southern California Edison's A.14-06-011 and in Southern California
15 Edison's upcoming 2016 Energy Resource Recovery Account (ERRA) proceeding.
16 This would leave the Master Insurance Plan as the only SONGS expense in this
17 filing not already addressed in other proceedings. To simply and clarify regulatory
18 proceedings, SDG&E proposes a) to update its testimony on Marine Mitigation to
19 reflect its 20% SONGS ownership share after the Commission issues its ruling in
20 Southern California Edison's A.13-11-003 and b) to move SONGS 1 spent fuel
21 storage costs from this proceeding to its expected filing for the 2016 ERRA.²⁷ For
22 the Worker's Compensation plan, SDG&E used 2012 actual costs as the forecast for
23 2014 through TY 2016.²⁸

²⁶ Ex. SDG&E-12-R, pp. MLD-2 through MLD-3.

²⁷ Ex. SDG&E-12-R, p. MLD-8, ll. 11-16.

²⁸ Ex. SDG&E-12-WP, p. 14.

1 As explained above, SDG&E’s testimony regarding the ratemaking treatment
2 for SONGS is erroneous because all SONGS rate recovery is being litigated in
3 reasonableness reviews of its San Onofre Nuclear Generation Station Balancing
4 Account. For this reason, SDG&E’s request is moot and unnecessary.

5 **B. ORA’s Recommendations**

- 6 • ORA recommends any and all rate recovery for O&M expenses, although
7 unnecessary, be tracked and made subject to refund pursuant to a future
8 reasonableness review of SDG&E’s San Onofre Nuclear Generation Station
9 Balancing Account.

10 **XV. SUMMARY OF SONGS CAPITAL EXPENDITURES**

11 In D.06-11-026, the Commission authorized “SDG&E to recover through a
12 two-way balancing account the difference between authorized and actual SONGS
13 operations and maintenance (O&M) expenses billed by SCE.”²⁹ These expenses
14 include Marine Mitigation.³⁰ Under its San Onofre Nuclear Station Balancing
15 Account, authorized amounts exceeding actual costs are subject to refund pursuant
16 to a reasonableness review. For this reason, SDG&E’s request in this GRC is
17 unnecessary because actual costs are being tracked subject to a reasonableness
18 review.

19 Table 8-18, below, compares SDG&E’s and ORA’s TY 2016 forecasts to
20 2009 through 2014 adjusted-recorded capital expenditures.

21

²⁹ D.06-11-026, p.2, *mimeo*.

³⁰ *Ibid.*, p. 1, fn. 1, *mimeo*. Also, see Application A.15-02-006, Ex. SDGE-03 (Tables 1 and 2), p. 2.

1
2
3
4

Table 8-18
SONGS
Recorded 2009-2014 Capital Expenditures
(in Thousands of 2013 Dollars)

Description	2009	2010	2011	2012	2013	2014
Marine Mitigation	\$2,368	\$2,898	\$5,404	\$4,612	\$4,129	\$ 2,538
Total	\$2,368	\$2,898	\$5,404	\$4,612	\$4,129	\$ 2,538

5 Source: 2009-2013 data from Ex. SDG&E-12-CWP, p. 4. 2014 data from March 13, 2015 email from
6 Sempra to ORA.

7 **XVI. SONGS CAPITAL EXPENDITURES – MARINE MITIGATION**

8 **A. Overview of SDG&E’s Request**

9 SDG&E claims that SONGS’ Marine Mitigation capital additions are being
10 litigated in Southern California Edison’s 2015 GRC A.13-11-003. For this reason,
11 SDG&E proposes to update its testimony on Marine Mitigation to reflect its 20%
12 ownership share to the amount the Commission adopts in A.13-11-003.

13 As explained above, SDG&E’s testimony regarding the ratemaking treatment
14 for SONGS is completely erroneous because all SONGS rate recovery is being
15 litigated in reasonableness reviews of its San Onofre Nuclear Generation Station
16 Balancing Account. For this reason, SDG&E’s request is moot and unnecessary.

17 Table 8-19 compares ORA’s recommendations to SDG&E’s requests.

18
19
20
21

Table 8-19
Marine Mitigation
Forecast 2014-2016 Capital Expenditures
(in Thousands of 2013 Dollars)

Description	ORA Recommended			SDG&E Proposed ³¹		
	2014	2015	2016	2014	2015	2016
Marine Mitigation	\$853	\$6,216	\$2,319	\$853	\$6,216	\$2,319

³¹ Ex. SDG&E-12, p. MLD-2.

1 **B. ORA's Recommendations**

- 2 • ORA recommends any and all rate recovery for O&M expenses, although
3 unnecessary, be tracked and made subject to refund pursuant to a future
4 reasonableness review of SDG&E's San Onofre Nuclear Generation Station
5 Balancing Account.