

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

ADMINISTRATIVE LAW JUDGE MARIBETH A. BUSHEY, presiding

Joint Application of Southern
California Edison Company (U338E)
and San Diego Gas & Electric Company
(U902E) to Find the 2014 SONGS Units
2 and 3 Decommissioning Cost
Estimate Reasonable and Address
Other Related Decommissioning
Issues.

) EVIDENTIARY
) HEARING
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) Application
) 14-12-007
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I N D E X

1			
2			
3	<u>WITNESSES:</u>		<u>PAGE</u>
4	RUSSELL G. WORDEN		
5	Direct Examination By Mr. Matthews		183
6	Cross-Examination By Mr. Freedman		185
7	Examination By ALJ Bushey		208
8	Cross-Examination (Resumed) By Mr. Freedman		210
9	Examination By ALJ Bushey		219
10	Cross-Examination (Resumed) By Mr. Freedman		221
11	Cross-Examination By Mr. Lee		225
12	Cross-Examination By Mr. Lutz		249
13	Redirect Examination By Mr. Matthews		262
14	Recross-Examination By Mr. Freedman		263
15	NINO MASCOLO		
16	Direct Examination By Mr. Matthews		265
17	Cross-Examination By Mr. Geesman		267
18	Cross-Examination By Mr. Lutz		274
19	Examination By ALJ Bushey		275
20	Cross-Examination (Resumed.) By Mr. Lutz		277
21	ROBERT BLEDSOE		
22	Direct Examination By Mr. Matthews		280
23	Cross-Examination By Mr. Geesman		281
24	Cross-Examination By Mr. Peffer		285
25	Cross-Examination By Mr. Lutz		304
26	Cross-Examination By Mr. Freedman		324
27	Redirect Examination By Mr. Matthews		341
28	Recross-Examination By Mr. Lutz		345
29	Recross-Examination By Ms. Gilmore		346
30			
31			
32			
33			
34			
35			
36			
37	<u>Exhibits:</u>	<u>Iden.</u>	<u>Evid.</u>
38	14	205	349
39	15	307	307

1	16	323	349
	17	323	349
2	01		348
	02		348
3	03		348
	04		348
4	05		348
	06		348
5	07		348
	08		349
6	09		349
	10		349
7	11		349
	12		349
8	13		349
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			

1 SAN FRANCISCO, CALIFORNIA
2 AUGUST 26, 2015 - 10:04 A.M.

3 * * * * *

4 ADMINISTRATIVE LAW JUDGE BUSHEY: The
5 Commission will come to order. This is the
6 time and place set for the continued
7 evidentiary hearing in Application 14-12-007.

8 Good morning. Today we'll continue
9 our cross-examination of the Edison
10 witnesses.

11 Mr. Matthews, would you like to call
12 your next witness?

13 MR. MATTHEWS: Yes, your Honor. Edison
14 calls Russ Worden to the stand, please.

15 RUSSELL G. WORDEN, called as a
16 witness by Southern California Edison
17 Company, having been sworn, testified
18 as follows:

18 THE WITNESS: I do.

19 ALJ BUSHEY: Please be seated.

20 State your full name for the record
21 and spell your last name.

22 THE WITNESS: My name is Russell G.
23 Worden, W-o-r-d-e-n.

24 ALJ BUSHEY: Mr. Matthews?

25 MR. MATTHEWS: May I proceed?

26 DIRECT EXAMINATION

27 BY MR. MATTHEWS:

28 Q Mr. Worden, the purpose of your

1 testimony in this proceeding is to sponsor
2 portions of Exhibits 01, 03, 07, and 09 for
3 SCE's direct, rebuttal testimony, witness
4 qualifications, and errata as identified in
5 the table of contented thereto?

6 A Yes.

7 Q Was this material prepared by you
8 or under your supervision?

9 A Yes.

10 Q In so far as this material is
11 factual in nature, do you believe it to be
12 correct?

13 A Yes.

14 Q In so far as this material is in
15 the nature of opinion or judgment, does it
16 represent your best judgment?

17 A Yes.

18 Q Do you adopt this material as your
19 sworn testimony in this proceeding?

20 A Yes.

21 MR. MATTHEWS: Your Honor, the witness
22 is available for cross-examination.

23 ALJ BUSHEY: Thank you.

24 Have we determined who is going to
25 go first?

26 MR. MATTHEWS: I presume it may be
27 TURN.

28 ALJ BUSHEY: Okay. Sounds good.

1 Mr. Freedman?

2 MR. FREEDMAN: Yeah.

3 CROSS-EXAMINATION

4 BY MR. FREEDMAN:

5 Q Good morning, Mr. Worden.

6 A Good morning.

7 Q I would like to start on -- in
8 Exhibit 01, your direct testimony, page 38,
9 where you describe and summarize previous
10 advice letter approvals and trust
11 withdrawals. Do you see that section?

12 A Yes.

13 Q And you identify your proposal for
14 summarizing trust withdrawals, including
15 listing major cost categories correlated to
16 the most recent Commission-adopted cost study
17 and nominal dollar adjustments to various
18 subcategories; is that right?

19 A Yes.

20 Q And is -- does this represent
21 Edison's proposal going forward for how it
22 would report as part of the advice letter
23 process?

24 A We would somewhat alter it in light
25 of the Commission's decisions and further
26 clarifications. This was prepared in the
27 fourth quarter of last year. We would
28 propose to have two advice letters each year

1 following the Humbolt Decision and direction
2 by the Commission, an October advice letter,
3 which would project out the anticipated spend
4 for the following calendar year and request
5 authorization to be reimbursed from the trust
6 for those levels, and a second advice letter
7 in the Spring of the year that would be
8 retrospective in nature that would identify
9 costs incurred relative to the previous
10 year's forecast. This is not intended to be
11 the reasonableness review, which we have
12 proposed would occur on an annual basis.

13 Q So Edison's proposal is to file the
14 first advice letter as essentially a forecast
15 of future year spending, and the second
16 advice letter as a recorded or actual cost
17 reconciliation?

18 A Correct.

19 Q And the Spring advice letter would
20 cover the prior year, and the Fall advice
21 letter would cover the following year?

22 A Correct.

23 Q And does Edison propose to show in
24 either of those two advice letters any
25 adjustments to the overall project schedule?

26 A Not as a general proposition. We
27 would inform as -- the Commission and
28 interested parties as material changes

1 evolved, but our intent generally would be to
2 have the updated decommissioning cost
3 estimate, which would be part of each NDCTP
4 application, served as the updated or the,
5 quote, "to go," closed quote, DCE forecast.

6 Q But Edison would provide some kind
7 of comparison between forecasted or actual
8 disbursements between a calendar and what --
9 and the amount of calendar year disbursements
10 envisioned under the DCE; right?

11 A Correct.

12 Q But the DCE also has built into it
13 certain scheduling assumptions regarding
14 completion of various items; isn't that true?

15 A Correct.

16 Q But the reporting that Edison is
17 proposing under the advice letter would not
18 include any similar reconciliation of
19 schedules for completion of activities?

20 A Not -- not generally. It would --
21 the intent would be to inform the Commission
22 and -- and interested parties how the
23 recorded expenses tracked relative to the
24 approved level of disbursements from the
25 prior advice letter.

26 Q So if the -- if the Edison advice
27 letter were to show that spending for a given
28 calendar year was below what had been assumed

1 in the DCE, does that mean that the overall
2 project is under budget?

3 A I wouldn't want to speculate about
4 that. I think -- I think we have to
5 understand more about the qualitative nature
6 of it.

7 Q Isn't it possible that
8 underspending in a given year could be a
9 indicator that the project is behind
10 schedule?

11 A It could be a indicator of a number
12 of things. It could likewise be an indicator
13 of lesser real escalation than what was
14 assumed in the DCE as one hypothetical
15 example. So I think it would be premature to
16 conclude that in the absence of actual facts.

17 Q And when would Edison propose to
18 provide an update that would include the
19 facts that would permit a more complete
20 assessment of the state of the project?

21 A In the updated DCE and in the
22 annual reasonableness showing that the
23 company has proposed.

24 Q And the reasonableness showing,
25 though, would only involve projects that had
26 been completed during the previous calendar
27 year; correct?

28 A Correct, completed scopes of work.

1 Q But it wouldn't include the status
2 of under-completed works, would it?

3 A No.

4 Q So am I to understand correctly
5 that Edison would propose that the
6 comprehensive assessment of the status of the
7 overall project would really occur in the
8 NDCTP proceedings?

9 A Generally, yes, but we would make
10 every effort in the advice letters to inform
11 the Commission and interested parties as well
12 if there were significant changes in -- in
13 the project.

14 Q And would the advice letter -- the
15 advice letters that Edison is proposing to
16 file, would those apply to just distributed
17 costs, or would those distinguish between
18 distributed and undistributed costs under the
19 DCE?

20 A They would be both.

21 Q Would there be a distinguishing
22 breakout of those two types of costs, or
23 would they be put together in single
24 categories?

25 A The former. Yes, there would be a
26 delineation between them.

27 Q And will the advice letter show
28 cumulative spending for all activities in a

1 relevant decommissioning period, or will it
2 be broken out some other way?

3 A We would endeavor to do both. The
4 Commission has expressed a preference to have
5 the progress graph that has become routine in
6 the Humbolt filings and we submitted in the
7 SONGS decommissioning advice letter that was
8 recently approved. So we would intend to
9 track the beginning -- all the way from the
10 beginning forward recorded relative to
11 forecast. And we would try to provide as
12 much detail as we could as Table 3-2 on page
13 39 shows as a facsimile of the kind of -- of
14 display we propose to submit in the advice
15 letter.

16 Q Looking at Table 3-2, this includes
17 scheduling information. I thought had you
18 just indicated that schedule updates would
19 not be provided as part of the advice letter
20 process; am I correct?

21 A Well, there's a distinction between
22 scheduling information and updates. This
23 example is taken from the DCE. I couldn't
24 speculate about changes of a month or two
25 about what would be in a future advice
26 letter. We would just commit to try to keep
27 the Commission and parties informed of major
28 changes that we could capture and include in

1 the showing in the advice letter.

2 Q I guess my question is you
3 referenced the cumulative spending graphs in
4 the Humbolt advice letters, and isn't it
5 correct that what you're referring to is a
6 single graph that shows total spending on the
7 project year by year relative to the
8 forecasted spending under the approved DCE?

9 A Yes.

10 Q That doesn't provide anything that
11 looks like this breakout in Table 3-2, does
12 it?

13 A No. But your question, as I heard
14 it, asked if we would have a cumulative
15 recorded spend relative to forecast and a
16 detailed reconciliation of what was spent.
17 And I interpreted the graph to show the
18 overall spend versus forecast. And I thought
19 that was responsive to your question. The
20 Table 3-2 is a representative indication of
21 what we'd intend to include in the advice
22 letter as -- in addition to the graph.

23 Q And when you say include this in
24 the advice letter, you would include the
25 scheduled start and end dates based on the
26 approved -- the most recently approved DCE?

27 A Correct. And the October advice
28 letter would show what we plan to accomplish

1 and at what cost for the upcoming year. And
2 we would ask the Commission's permission to
3 be reimbursed for those expenses for the
4 upcoming year.

5 One way I think about it is it's
6 requesting what is akin to a line of credit.
7 That is, we would be permitted to be
8 reimbursed from the trust going forward based
9 upon the October forecast in the advice
10 letter. The March advice letter or Spring
11 advice letter would be a backward look at the
12 recorded expenses relative to the previous
13 October's advice letter.

14 Q But the Spring advice letter
15 wouldn't actually indicate whether projects
16 were ahead of or behind schedule in the
17 previous year, would it?

18 A I -- I think it's -- it's a little
19 early to make that conclusion. We would
20 endeavor to do so, but in the absence of
21 actual facts, it's hard for me to sit here
22 and say precisely what would be in it. We --
23 when we submitted the most recent advice
24 letter for the initial access to the trust,
25 we reconciled for half of 2013 and 2014. And
26 we would try to replicate that.

27 Q If we look at this Table 3-2 and
28 focus on, for example, Decommissioning Period

1 3 under License Termination, this shows a
2 start date of June 30th, 2015. And this is
3 the kind of information that Edison would
4 propose to present to the Commission in the
5 advice letters; correct?

6 A Correct.

7 Q Did Decommissioning Period 3
8 actually start on June 30th, 2015?

9 A I don't think so, but I'm -- I
10 don't recollect the exact actual start date.

11 Q Would you accept subject to check
12 that Mr. Palmisano said yesterday that
13 Decommissioning Period 3 is scheduled now to
14 begin next year?

15 A I would.

16 Q And that schedule -- and that
17 Period 3 -- the beginning of that period is
18 contingent upon the selection and contracting
19 with a decommissioning general contractor.
20 Is that consistent with your understanding?

21 A Yes. And I would add that this
22 table was submitted in December of 2014 and
23 prepared earlier than that.

24 Q But if Edison were to submit this
25 same table today as part of an advice letter
26 as it proposes, you're not saying that Edison
27 would change these dates; right, because
28 Edison would be relying upon the DCE?

1 A If it was an obvious change in the
2 schedule, we would -- we would so note it.
3 If -- if we take Mr. Palmisano's example of
4 Decommissioning Period 3, we would make that
5 revision in the advice letter.

6 Q But aren't the total costs listed
7 here in some way tied to the duration of the
8 period due to the presence of undistributed
9 costs?

10 A They are tied in some way. They
11 always would be in some way because you would
12 have the undistributed expenses.

13 Q So you -- Edison would propose to
14 potentially update the schedule without
15 updating the cost; is that right?

16 A That's -- I'm struggling because
17 the -- the question is somewhat generic, and
18 the facts would vary depending upon the line
19 item.

20 Q Understood.

21 Let's turn to page 42 of your
22 testimony. We're still in your direct here.
23 This is where you present your proposal for
24 reasonableness reviews on an annual basis.

25 So is it correct that Edison
26 proposes to seek a review of all
27 decommissioning activities that were
28 completed during the previous year?

1 A To the extent they would be
2 completed scopes of work, yes.

3 Q And would Edison retain discretion
4 to determine when an activity is deemed
5 complete?

6 A Yes. But our intent would be to
7 follow the DCE and the line items in the DCE.
8 They generally track with completed scopes of
9 work.

10 Q And what do you mean when you say,
11 "completed scopes of work"? What's the
12 relevance of the scope of work?

13 A It would be a clear demarcation in
14 the -- the scope of work. There's a number
15 of examples. Establishing the power ring
16 that has specific portions of the footprint
17 electrified -- a change from where it was
18 when the units were operating. There are --
19 you can just go to the DCE in the appendix
20 and -- and follow the line items there.

21 Q So does each of these line items
22 represent a complete scope of work in the
23 DCE?

24 A Generally, yes. Without having
25 reviewed every one of them recently, that's
26 my only hesitation. But it generally tracks
27 that way.

28 Q And does each of the line items in

1 the DCE represent what you would characterize
2 as an activity?

3 MR. MATTHEWS: Objection, compound, to
4 the extent that it's referencing hundreds of
5 line items and he's asking --

6 ALJ BUSHEY: He said each one. I'll
7 overrule that one, Mr. Matthews.

8 Please continue, Mr. Freedman.

9 THE WITNESS: Could you repeat the
10 question?

11 MR. FREEDMAN: Q Are you proposing
12 that each of the line items in the DCE be
13 considered a single activity?

14 A I'm not sure I can answer that
15 without having reviewed all of them. And
16 it's been a while since I've looked at it.

17 Q Well, let's take a look for a
18 minute. I'm just trying to get an
19 illustrative sense of how this would go.
20 Perhaps we could go to the direct testimony,
21 the attachments that include the detailed
22 cost table for example. So if we were to
23 look at A-1-57, for example? We're in
24 Decommissioning Period 2. Do you have that?

25 A I am looking at page -- yes,
26 A-1-57. And in the bottom right-hand corner,
27 page 2 of 27?

28 Q Right.

1 A Yes, I'm there.

2 Q So this table shows a series of
3 distributed activities for Period 2 License
4 Termination; is that right?

5 A Correct.

6 Q And my question is would -- would
7 Edison propose to present as completed
8 activities these line items? Do they
9 represent -- well, let's start there.

10 A That would be -- our intent would
11 be to categorize it, but it would be
12 accompanied by detailed direct testimony.

13 Q Okay. I guess I'm not -- I'm not
14 asking so much about how you would describe
15 whether you completed the work, but rather do
16 all of the costs fit neatly within each of
17 these line items. Or is Edison proposing
18 some other way to bundle together different
19 activities or line items?

20 A Our intent would be to show the
21 recorded expenses against these line items.

22 Q So if I were to look at 2.10, NRC
23 review of emergency preparedness plan, that
24 would be an individual activity?

25 A Yes, a completed -- an activity and
26 a completed scope. I -- I would expect there
27 would be some tangible evidence that the NRC
28 had completed its review.

1 Q And would all of the costs that
2 Edison seeks for review and a finding of
3 reasonableness -- would they all fit within
4 one of these line items?

5 A My hesitation, Mr. Freedman, is
6 it's hard for me to project out there in --
7 because we're looking at a long horizon. I
8 would expect that the -- the majority or the
9 preponderance of it would indeed fall that
10 way, but I -- I hesitate to say categorically
11 that would always happen because this is a
12 long time horizon in the future.

13 Q Well, to the extent that Edison
14 presented costs for reasonableness review
15 that couldn't be neatly placed into one of
16 these line items, how would the Commission
17 review reasonableness in comparing those
18 costs to the DCE?

19 A We would -- the company would have
20 to ultimately identify under which one of
21 these line items those expenses fell. If it
22 exceeded or it was less than the DCE
23 forecast, we would have testimony that would
24 describe why those expenses were incurred or
25 why they were not incurred and demonstrate
26 that our actions were reasonable and the
27 expenses were reasonably incurred.

28 Q So you're saying ultimately, all of

1 the costs would fit within a line item?

2 MR. MATTHEWS: Objection, vague.

3 MR. FREEDMAN: Q All of the costs
4 proposed for a reasonableness -- proposed in
5 a reasonableness review would fit within one
6 of the line items?

7 ALJ BUSHEY: I don't think he's gone
8 that far, Mr. Freedman, but let's --

9 That's not vague, so your objection
10 is overruled. But let's let the witness
11 answer that.

12 THE WITNESS: It would necessarily have
13 to be identified as being under one of these
14 line items, but the actual expenses might
15 vary from what is in the DCE. And there
16 potentially could be unexpected expenses that
17 we had categorized in that area.

18 MR. FREEDMAN: Q So now you're talking
19 about the quantity of spending; is that
20 right?

21 A No, my intent was that it would be
22 quantitative and qualitative.

23 Q So are you suggesting that there
24 might in fact be new activities that arise
25 that weren't included in the original DCE
26 that's being used for comparison?

27 A There could be emergent expenses,
28 which is one of the many challenges in the

1 project is that there are a number of areas
2 where unanticipated expenses could be
3 incurred. Remediation rules will evolve over
4 time. There's -- there are a number of
5 things that could emerge.

6 Q If we were to stick with the page
7 that I had you look at for License
8 Termination Period 2, Distributed Activities,
9 to the extent that there were unexpected,
10 unforecasted costs or emergent costs as you
11 described them that occurred during this time
12 period, those would all be effectively
13 attributable to Decommissioning Period 2,
14 would they not?

15 A As I understand that label, yes.
16 But I'm not a nuclear engineer or expert in
17 -- in nuclear business.

18 Q But doesn't the -- don't the
19 decommissioning periods for license
20 termination run sequentially?

21 A I don't know the answer to that.

22 Q You're not aware that when one
23 period ends, the next one begins, that that's
24 part of the schedule?

25 A I would expect that to be the case.

26 Q So any emergent costs that occurred
27 during the time frame of a given period could
28 be attributable to activities within that

1 period; is that your proposal?

2 A I would expect that to be the case.

3 Q Let's go to page 45 of your
4 testimony.

5 A Are we still in --

6 Q Yeah, sorry. We're still in your
7 direct. I think we're going to stay in your
8 direct the whole time.

9 A I'm there.

10 Q And on line 17 you state that:
11 Edison requests that if the
12 costs reported for
13 completed activities in a
14 particular cost category
15 and period during the
16 corresponding calendar
17 year --

18 A I'm sorry, Mr. Freedman. I'm not
19 there. I'm on page 45 of SCE-01 --

20 Q Line 17.

21 A -- line 17, which for me begins,
22 "To use as a basis."

23 Q I'm reading from the end of the
24 line.

25 A Oh, I'm sorry. "In exchange"?

26 Q Yes. I wasn't interested in the
27 previous sentence. I'm more interested in
28 the following sentence that:

1 Edison requests that if the
2 costs recorded for
3 completed activities in a
4 particular cost category
5 and period during the
6 corresponding calendar year
7 are bounded by the
8 estimated costs for those
9 activities, SCE's
10 expenditures for those
11 activities would be
12 presumed reasonable.

13 When you reference a cost category,
14 what are you referring to within the DCE?
15 That's not an activity, is it?

16 A Yes, it would be the line items in
17 the DCE that we were just examining.

18 Q Well, you distinguish between
19 activities and a cost category. Is the cost
20 category -- for example license termination,
21 or site restoration or spent fuel management,
22 is that a category or something else?

23 A One moment, please.

24 In this sentence, my intent was to
25 identify that there would be several
26 categories of expenses incurred that would
27 fall underneath the line items in the DCE.
28 For example, a scope of work would have

1 normal labor expense. It would likely have
2 benefits. It would also have accompanying
3 non-labor expense. There's a variety of
4 accounting expenses that would be incurred
5 that would roll up to the line items in the
6 DCE.

7 Q So as I read line 18 here, the
8 construction of the sentence suggests that
9 the activities occur within a cost category.
10 But what you're saying now is that cost
11 categories exist within the activity; is that
12 right?

13 A Well, it would be -- it would be
14 both. There are the differences the
15 different types of expenses that are
16 recorded, but there also could be various
17 activities that take place, expenses incur,
18 but they would all fall within the line item
19 in the DCE.

20 Q If I look at page 39 of your
21 testimony, and I look at Table 3-2 that we
22 have been speaking about a minute ago, there
23 you identify major cost categories as the
24 phases of decommissioning and the periods.
25 Am I misunderstanding the definition of major
26 cost categories?

27 A Mr. Freedman, I would observe that
28 Table 3-2 is simply a summary at the

1 beginning of the DCE. The pages following
2 the summary have more detailed line items,
3 which we would propose to categorize the
4 reasonableness showing. Table 3-2 was
5 intended to provide a template or an example
6 of what we would include in the advice
7 letter. The detailed line items in the DCE
8 are what we would propose to follow as we
9 organize the reasonableness showing that we
10 propose to submit annually.

11 Q And you're stating that the cost
12 categories that you mention in your
13 testimony -- that's in fact labor, equipment,
14 disposal, other, these are some of the
15 columns that show up in the line items --
16 those are the cost categories?

17 A No, Mr. Freedman. I think I
18 testified a moment ago there are expenses
19 that we incur and record on our books.
20 Labor, pensions and benefits, contracts, et
21 cetera. There are also I would expect
22 subcategories under the line items of the
23 DCE.]

24 And we would propose to organize
25 the reasonableness showing to follow the line
26 items in the DCE and the recorded expenses.

27 MR. FREEDMAN: Okay. Let's -- I have a
28 cross exhibit. Maybe we can go through this

1 a little bit in a little bit more organized
2 fashion. Your Honor, may I?

3 ALJ BUSHEY: Yes.

4 We'll be off the record.

5 (Off the record.)

6 ALJ BUSHEY: We'll be back on the
7 record.

8 While we were off the record we
9 identified Exhibit 14. It's TURN's
10 cross-examination exhibit. It has several
11 data requests and their responses.

12 (Exhibit No. 14 was marked for
13 identification.)

14 MR. FREEDMAN: Yes. Your Honor.

15 ALJ BUSHEY: Mr. Freedman.

16 MR. FREEDMAN: Your Honor, this exhibit
17 has a number of data responses from Edison.
18 We intend to use this also with Mr. Bledsoe
19 when he comes up. So for efficiency we put
20 multiple responses into the same exhibit.

21 ALJ BUSHEY: Thank you.

22 MR. FREEDMAN: Q Mr. Worden, I'd like
23 you to look at as you open the cross exhibit
24 the second response from Edison. This is
25 TURN Data Request Set 4, Question and Answer
26 12. And the respondent is listed as Mr.
27 Bledsoe, but I'm wondering if you're actually
28 the right person to ask about this. You can

1 tell me if I should ask Mr. Bledsoe. Do you
2 see this?

3 A I'm reading. Why don't we start
4 with me.

5 Q Okay. Great. So am I to
6 understand that this summarizes Edison's
7 proposal, very succinctly of course, as
8 providing a line item reconciliation of
9 recorded costs in the reasonableness review?
10 Let's stop there for a moment.

11 A Yes.

12 Q And that line item would be the
13 activities that we have been discussing in
14 the DCE?

15 A Yes. Plus additional detail to the
16 extent it's available.

17 Q And if the actual cost for an
18 individual line item is below the estimate,
19 would Edison propose that the expenditure be
20 presumed reasonable?

21 A Yes. And for a completed scope.

22 Q So work in a given line item has
23 been completed. The amount is less than the
24 estimate. That creates a presumption of
25 reasonableness; is that right?

26 A That is our proposal, yes.

27 Q No additional explanation or
28 justification would be required for those

1 expenditures to be deemed reasonable?

2 A We would submit detailed testimony
3 in our direct submittal when we file the
4 reasonableness review. So it would not -- I
5 wouldn't want the record to assume or
6 conclude that it would just be a line item
7 and a dollar value. We would propose to
8 submit direct testimony, and the Commission
9 would have to conclude that we had provided
10 sufficient detail.

11 Q So if -- even if Edison were to
12 underspend on a given scope of work, are you
13 suggesting that if Edison didn't provide
14 sufficient supporting testimony that the
15 Commission could find that expenditure to be
16 unreasonable?

17 A The Commission could find that we
18 had failed to meet our burden of proof. I'm
19 not sure it would arrive at a conclusion we
20 were unreasonable.

21 Q So the showing would require in
22 your view both a demonstration that the costs
23 were under the estimate and sufficient
24 supporting testimony to satisfy some other
25 burden of proof?

26 A Yes.

27 ///

28 ///

EXAMINATION

1
2 BY ALJ BUSHEY:

3 Q Excuse me, Mr. Freedman. Just for
4 clarity of the record, the witness has been
5 talking about total amounts, and I'd just
6 like to clarify that when you're talking
7 about a line item, what is your anticipation
8 of how the Commission would treat the
9 contingency factor that is in most of your
10 line items?

11 A Your Honor, I'm not a cost
12 engineer. I would have to defer to Mr.
13 Bledsoe. But our intent would be to make a
14 full evidentiary showing of the recorded
15 expenses and how that was consistent with the
16 DCE including the contingency.

17 Q Okay. So you would -- your target
18 includes the what looks to be about a
19 25 percent contingency factor on everything?

20 A Yes, your Honor. And I would
21 expect the contingency factors to shrink as
22 the work is closer to the forecast in the DCE
23 but not in every instance.

24 Q You expect the contingency factor
25 to shrink. So would that be automatic, or
26 how do you envision that shrinkage to occur?

27 A It would be as we observe the
28 recorded expenses relative to the forecast

1 for the scope of work. So let me try to give
2 an example.

3 Q Wait a minute. Once it gets
4 recorded, there should be no contingency
5 because it's now known. It's recorded?

6 A Yes, your Honor. And by definition
7 that the amount in the contingency forecast
8 would shrink and the recorded expenses would
9 be known. The reason, the whole purpose of
10 having a contingency is to recognize that
11 there are unknown factors in a forecast. The
12 contingency is not an adder to your forecast.
13 It recognizes that there are elements that
14 cannot be known.

15 Q Exactly. So I'm not understanding.
16 Are you saying it is an adder as far as the
17 decommissioning cost estimate is considered,
18 so you're going to go to the number that
19 includes the contingency forecast, and that's
20 what you're going to compare your actuals to,
21 or are you going to go to the underlying
22 number that does not include the contingency
23 factor?

24 A The forecast for the line item
25 assumes a pro rata contingency, because there
26 are unknown --

27 Q Right. So your target is the
28 number that includes the contingency?

1 A Yes, your Honor.

2 Q So overall you should expect that
3 the numbers should be lower?

4 A We would do our best to be there,
5 yes, your Honor.

6 Q Okay. All right.

7 A But I do want to add that the
8 uncertainty on the horizon makes that
9 potential symmetrical, and if burial
10 escalation rates change markedly, if
11 remediation requirements change markedly,
12 then hypothetically the contingency might not
13 be enough.

14 ALJ BUSHEY: Right. And that's
15 something we'll be talking about later, but I
16 don't want to interrupt Mr. Freedman's train
17 of thought here. I just wanted to clarify
18 that in the record.

19 MR. FREEDMAN: Thank you, your Honor.

20 CROSS-EXAMINATION (resumed)

21 BY MR. FREEDMAN:

22 Q So Mr. Worden, we were discussing
23 the concept that if a cost for a completed
24 scope of work is below the estimate, Edison
25 would present additional supporting testimony
26 and the Commission would review both the
27 total costs and the supporting testimony in
28 reaching a finding of reasonableness; is that

1 right?

2 A Correct.

3 Q Okay. Let's turn in the cross
4 exhibit two data responses after the one
5 we've been discussing. So this would be a
6 response to TURN Data Request Set 3, Question
7 2. And the sponsor of this is Lindsay
8 Anderson, who is not a witness for Edison in
9 this proceeding; is that right?

10 A Correct.

11 Q So I'm just going to ask you to
12 take a look at two items in this response
13 that relates to the decommissioning general
14 contractor selection. Specifically I'd like
15 you to turn to the second page of the
16 response where there is a table that's been
17 reprinted that identifies in the DCE the
18 expected cost for selecting the
19 decommissioning general contractor and shows
20 \$817,000. Do you see that?

21 A Yes.

22 Q So with Edison, that's the cost
23 against which Edison would be comparing
24 actual expenditures for a reasonableness
25 review, is it?

26 A Yes, I believe so.

27 Q Okay. Let's turn to the next page
28 of the data response where in subpart G of

1 the response Edison indicates that it
2 actually incurred \$1.9 million in 2014 even
3 though the expected forecast was 817,000; is
4 that right?

5 A Yes.

6 Q So in that circumstance would the
7 spending in excess of 817,000 be
8 presumptively unreasonable?

9 A It would not be presumptively
10 unreasonable, but we --

11 Q What -- go ahead.

12 A We would have to make a showing
13 that demonstrates our actions were reasonable
14 and request the Commission find that we were
15 reasonable.

16 Q And what would be the difference in
17 the supplemental showing Edison proposes to
18 make for activities where costs exceed the
19 estimate as compared to activities where
20 costs are below the estimate?

21 A As we sit here now, it's hard for
22 me to project out that far in the future. We
23 would work hard to make a complete showing
24 and include all the facts that the
25 Commission -- we think the Commission would
26 need to arrive at a conclusion and subject
27 that testimony to discovery and review.

28 Q Well, going back to Question 12 in

1 this set. So that's the second question in
2 the packet, TURN Data Request Set 4, Question
3 12, and I'd asked you about the line item
4 reconciliation that's identified here. And
5 the second part of that sentence, however,
6 says "the Commission should consider overages
7 and underages for a project as a whole when
8 determining reasonableness."

9 Is this effectively a proposal for
10 Edison to average overspending and
11 underspending amongst various activities?

12 A But, yes, but limited to the year
13 in question. I would confine it to that.

14 Q So if we were to -- if Edison were
15 to submit for a review of the DGC costs that
16 we were just discussing and there's an
17 overage there of something on the order of a
18 million dollars, Edison might propose to
19 average that with other completed activities
20 in the same year where there might have been
21 a million dollars of underspending?

22 A I would take issue with the
23 characterization of averaging. We would
24 include evidence for both categories that we
25 spent more and for categories where we spent
26 less. We would -- if the average, to use
27 your word, in that year for completed scopes
28 of work was below the estimate in the DCE,

1 then we would request the Commission find the
2 recorded expenses to be reasonable.

3 Q And those -- and what would be the
4 bounds for the averaging or consideration of
5 overages and underages?

6 A They would be in that calendar year
7 for completed scopes of work.

8 Q Would it also be, would you limit
9 the consideration of overages and underages
10 to activities within the same major
11 categories of work?

12 A Not necessarily.

13 Q So could completed activities
14 associated with nuclear fuel management be
15 averaged with completed activities for
16 license termination?

17 A So long -- yes. So long as they
18 were both within the same calendar year and
19 for completed scopes of work.

20 Q So there wouldn't have to be a
21 demonstration that the activities were
22 related in any way, would there?

23 A In my view they're all related.

24 Q But the bounds that you're
25 referring to have to do with single calendar
26 year being the kind of the bookends?

27 A And completed scopes of work.

28 Q Okay. Let's turn to the next data

1 response in this packet, Question 13, TURN
2 Data Question Set 4, Question 13. And this
3 is Mr. Bledsoe's response. So I can ask him
4 about it, but it does seem quite relevant to
5 what we're discussing right now. And after
6 Edison raises its objections in the response,
7 the next paragraph states, well, the last
8 sentence in this paragraph seems to suggest
9 that Edison would look -- ask the Commission
10 to consider underages in some years and
11 overages in other years.

12 How does the comparison of overages
13 and underages between calendar years fit with
14 your proposal?

15 A We would ask the Commission to
16 recognize circumstances in which schedule
17 slippage or schedule acceleration would have
18 altered the recorded expenses from
19 one calendar year to the next. And we would
20 include such a reconciliation in our
21 testimony.

22 Q So to the extent that Edison first
23 were to show some activities were overbudget
24 and some were underbudget completed within a
25 year, Edison would ask the Commission to
26 consider the net impact of all of those
27 activities within that year; is that right,
28 completed activities, the net budget impact?

1 A I'm not sure I understand the
2 question.

3 Q I guess I'm just trying to
4 summarize what we were just talking about,
5 which is that Edison would ask the Commission
6 to take into account overages and underages
7 for completed activities within a given year.
8 That's part of the analysis, correct?

9 A Yes.

10 Q And then to the extent that there
11 was a net overage even after that
12 consideration occurred, Edison may ask the
13 Commission to take into account overages and
14 underages between years; is that right?

15 A In some instances if it were a
16 circumstance that I referenced a moment ago
17 where there was schedule slippage or there
18 were accelerations of the schedule. For
19 example, many of the permits that we will
20 need are yet to be issued. And that's a
21 factor that is not necessarily or completely
22 within the company's control. And I can
23 envision circumstances where regulators of
24 certain things such as water quality or the
25 Coastal Commission could introduce changes
26 that would require schedule -- or inevitably
27 lead to schedule slippage.

28 Our testimony would include

1 evidence that would demonstrate our actions
2 were reasonable, but in this example an
3 outside regulator or government entity had
4 caused the schedule to slip. That would
5 result in an underage in one year and
6 potentially an overspend in the following
7 year. And in that instance we would ask the
8 Commission to recognize that factor had been
9 introduced.

10 Q Under what circumstances would
11 Edison propose that the Commission could
12 issue a finding that spending was
13 unreasonable?

14 MR. MATTHEWS: Objection. Calls for
15 speculation.

16 MR. FREEDMAN: Your Honor, if he's
17 making a proposal for what constitutes a
18 finding of reasonableness, I'm trying to
19 understand under what circumstances spending
20 could be deemed unreasonable. It's not at
21 all clear.

22 ALJ BUSHEY: I'm going to overrule the
23 objection. The symmetry of this proposal is
24 not evident in the record. So if the witness
25 could elucidate on that, that would be
26 fantastic.

27 THE WITNESS: Give me a moment, your
28 Honor.

1 ALJ BUSHEY: Okay.

2 THE WITNESS: There -- we're on the
3 record?

4 ALJ BUSHEY: Yes, we are on the record.

5 THE WITNESS: There could be a
6 circumstance, hypothetically only, in which
7 the recorded expenses in a given year were
8 10 percent above the DCE estimate. And the
9 company could have awarded employees a
10 benefit that the Commission took issue with.
11 And so the benefit expense that accompanies
12 the direct labor could exceed what was
13 assumed in the decommissioning cost estimate.
14 If the Commission concluded this benefit,
15 whatever it may be, was not something that
16 should be reimbursed from the trusts, then
17 the Commission could find that to be
18 unreasonable.

19 MR. FREEDMAN: Q So you're referring
20 to incentive payments to employees?

21 A I didn't limit it to that. It
22 could be any array of benefits.

23 Q But specifically to employees?

24 A That was my example. I was trying
25 to be responsive for a circumstance in which
26 recorded expense exceeded what was assumed in
27 the DCE and the Commission in its judgment
28 would not permit reimbursement from the

1 trusts.

2 Q And in that case would Edison seek
3 reimbursement from customers through rates,
4 or would that be a shareholder obligation?

5 A I wouldn't speculate about that in
6 the absence of additional facts.

7 EXAMINATION

8 BY ALJ BUSHEY:

9 Q Mr. Freedman, could I just ask one
10 followup question about how that would work.

11 Because your proposal has the money
12 coming out of the trust first and then being
13 expended and then being reported to the
14 Commission and then the reasonableness
15 review. So under your hypothetical the
16 employees would have already received this
17 benefit. So the trust would need to be
18 reimbursed, right?

19 A It could be -- it could be handled
20 pretty simply, your Honor. For future
21 reimbursements in this example where the
22 benefit was too generous or inappropriate and
23 the Commission concluded that was not a
24 reasonable expense, we would simply discount
25 future reimbursements by the amount in
26 question.

27 Q So that's how you would reimburse
28 the trust?

1 A Effectively, your Honor. But as
2 Dr. Hunt testified yesterday, there are a
3 number of complex tax issues that potentially
4 would impede a straightforward additional
5 payment to the trust to rectify the previous
6 reimbursement. We would propose simply to
7 discount future reimbursements by the
8 unreasonable dollar value with --

9 Q Right. But now you just kicked the
10 can down the road. So presumably you're
11 discounting some other reasonable expense.
12 So something that cost an amount would be
13 reimbursed for from the trust less than that
14 full amount. The difference between the
15 reimbursement from the trust and the actual
16 cost, what would happen to that amount?

17 A I'm not -- I'm not sure I tracked
18 that, your Honor. At the end of the period
19 after the discounted reimbursement, the trust
20 would be identically the level --

21 Q Right.

22 A -- as if the benefit had never been
23 awarded.

24 Q Correct. The trust is now whole,
25 but someone isn't because Edison has incurred
26 an expense, a different line item for which
27 it was not fully reimbursed from the trust?

28 A Yes, your Honor.

1 Q What happens to that unreimbursed
2 amount for the other line item whatever it
3 is?

4 A All other things being equal, the
5 company would fail to earn its authorized
6 return.

7 Q Okay. So shareholders bear that
8 cost?

9 A Yes, your Honor.

10 ALJ BUSHEY: Okay. Mr. Freedman.

11 MR. FREEDMAN: Thank you, your Honor.

12 CROSS-EXAMINATION (resumed)

13 BY MR. FREEDMAN:

14 Q Mr. Worden, going back to your
15 direct testimony, page 44, just a couple
16 final questions for you. Starting on page 43
17 and heading into page 44 you discuss the
18 periodic revisions to the DCE. And you are
19 stating on page 44 that Edison would
20 periodically update the DCE, and on line 5
21 you say it would provide the estimated cost
22 and schedule for all decommissioning
23 activities that had not yet been completed at
24 the time of the submittal. Do you see that?

25 A Yes.

26 Q So Edison when it revises the DCE
27 would include the most recent data on actual
28 incurred costs plus the best forecast it has

1 of future spending?

2 A Yes.

3 Q So if there are activities that are
4 incomplete at the time of the update and
5 these activities are substantially overbudget
6 relative to the prior cost estimate, the
7 updated DCE would estimate total costs for
8 that activity based on actual spending to
9 date; is that right?

10 A It would be actual spending plus
11 the updated forecast.

12 Q So if an activity is substantially
13 behind schedule or overbudget relative to the
14 prior DCE, the revised DCE would effectively
15 true that up?

16 A I'm not sure if "true up" is the
17 right word. It's a to go estimate. It would
18 clearly have to recognize that expenses were
19 greater than what was assumed in the previous
20 DCE and would have to have an explanation of
21 what had forced that to occur.

22 Q But to the extent that an activity
23 is almost complete and it would either be
24 completed and reviewed under reasonableness
25 or subject to a revision in the DCE, I'm
26 trying to understand whether Edison's burden
27 of proof would be any different in an updated
28 DCE versus a reasonableness review?

1 A It would -- there would be two
2 burdens based on the point in time of the
3 calendar year reasonableness showing under
4 the previous DCE and the future showing for
5 the updated DCE. For example, if waste
6 disposal expenses were assumed to be a given
7 amount in the initial DCE but during the
8 course of actually removing the waste and
9 disposing of it if there was some regulatory-
10 driven or vendor-driven event that caused the
11 recorded expense to be greater, then the
12 company would have to demonstrate why that
13 was reasonable in the years that those
14 expenses exceeded what was in the assumed --
15 what was assumed in the DCE.

16 In the to go DCE in the subsequent
17 period there would be an updated estimate
18 that included the new waste expense at the
19 higher level.]

20 And if the Commission found that
21 updated DCE to be reasonable and a basis to
22 manage the decommissioning going forward,
23 then under our proposal, staying within that
24 forecast for that waste disposal expense
25 would be reasonable because the Commission
26 would have just found the updated DCE to be
27 reasonable.

28 Q So if a -- if the Commission were

1 concerned -- if an intervenor were concerned
2 about overspending by Edison, the avenues for
3 expressing this concern would be either in
4 the reasonableness review process for
5 completed activities or in the DCE process
6 where a line item estimate is being adjusted
7 to reflect higher than anticipated costs; is
8 that right?

9 A Correct. And that's one of the
10 challenges -- one of the many challenges in
11 decommissioning, which is so unlike new
12 construction. Because we don't necessarily
13 control all of the elements or all of the
14 variables or as many of the variables as you
15 could control in new construction.

16 MR. FREEDMAN: Okay. Thank you, Mr.
17 Worden. Those are all my questions.

18 ALJ BUSHEY: Thank you, Mr. Freedman.
19 Moving on down the line; is that
20 right? Whose next? Mr. Geesman?

21 MR. GEESMAN: No questions, your Honor.

22 ALJ BUSHEY: No questions, okay.

23 MR. PEFFER: I might have one question
24 at the end.

25 ALJ BUSHEY: At the end. Okay.

26 MR. PEFFER: I'll pass it to ORA.

27 ALJ BUSHEY: ORA doesn't have any
28 questions.

1 MR. LEE: No, ORA has questions.

2 ALJ BUSHEY: Oh, you do. Why are you
3 not on the schedule? Oh, yes, you are.

4 Yes, Mr. Lee, please continue.

5 CROSS-EXAMINATION

6 BY MR. LEE:

7 Q Good morning, Mr. Worden. I'm
8 Cleveland Lee. I represent ORA.

9 A Good morning.

10 Q I'd like to direct your attention
11 to your rebuttal testimony, SCE-07, and
12 specifically the portion of your rebuttal
13 testimony, pages 2 through 11, which address
14 ORA's direct testimony.

15 A I'm -- I'm at page 2.

16 Q Thank you.

17 Mr. Worden, I did not see any
18 appendices, exhibits, or any other data
19 attached to your rebuttal testimony. Am I
20 correct there are no such supplemental
21 information supporting your rebuttal
22 testimony?

23 A Correct.

24 Q Now, would you turn to your
25 qualifications as a witness, which I believe
26 is SCE Exhibit 08; is that correct?

27 A May we go off the record a minute,
28 your Honor?

1 ALJ BUSHEY: Off the record.

2 (Off the record.)

3 ALJ BUSHEY: We'll be back on the
4 record.

5 Mr. Lee.

6 MR. LEE: Q Directing your attention
7 to Exhibit 09, pages 10 through 11, are those
8 your qualifications supporting your rebuttal
9 testimony?

10 A Yes.

11 Q Thank you. I note that on page 10,
12 line 9, your title -- your employment title
13 is Director of State Regulatory Operations
14 for SCE; is that correct?

15 A Correct.

16 Q And I also noted that in your
17 background, you are not an attorney; is that
18 correct?

19 A Correct.

20 Q Okay. But nevertheless, in your
21 position as Director of State Regulatory
22 Operations, you have an understanding of
23 legal terms such as standard of review; is
24 that correct?

25 A Correct.

26 Q And you also understand the legal
27 term rebuttable presumption?

28 A Yes.

1 Q And you use the legal term burden
2 of proof in Exhibit 01, your direct
3 testimony, page 44 at line 11; is that
4 correct?

5 A Subject to check, I accept that.

6 Q I believe it's Exhibit 01. In any
7 instance, you understand what burden of proof
8 means?

9 A Yes.

10 Q And do you understand also that the
11 term rebuttable presumption tells the
12 Commission who has the burden of proof when a
13 rebuttable presumption applies?

14 A Correct.

15 Q And is it the standard of review
16 presently regarding SCE's application that
17 the standard of review imposes on SCE the
18 burden of proof? Is that the current
19 standard of review?

20 MR. MATTHEWS: Objection, vague. What
21 -- I mean, what --

22 ALJ BUSHEY: I don't know that standard
23 of review --

24 MR. LEE: I'm sorry. Perhaps I am
25 mixing up the two terms.

26 ALJ BUSHEY: Yes.

27 MR. LEE: Let me rephrase the question.

28 Q Is it your understanding,

1 Mr. Worden, that SCE has the burden of proof
2 in showing its application is reasonable?

3 A You're referring to this
4 application?

5 Q Yes. Yes, Mr. Worden.

6 A Yes. To the extent that we've
7 asked the Commission to find that the DCE is
8 reasonable and we've asked the Commission to
9 modify the -- the standard going forward for
10 the annual reasonableness reviews.

11 Q Correct. And your request for
12 modification of the burden of proof is to
13 shift that burden of proof to a party
14 challenging the rebuttable presumption that
15 you're proposing; is that correct?

16 A Yes.

17 Q Now, I direct your attention to
18 page 3 of your rebuttal testimony. Give me a
19 minute while I get there. Lines 9 through
20 12. If you would take a minute to read that
21 to yourself?

22 A Yes, I'm there.

23 Q Am I understanding correctly you
24 have read Decision 14-11-040?

25 A Yes.

26 Q Where in that decision did the
27 Commission order more frequent reviews than
28 the triennial proceeding?

1 A The Commission ordered the annual
2 review for 2014. We interpreted that to be
3 an expression or preference to have more
4 frequent reviews.

5 Q According to your understanding of
6 that Decision, did the Commission in its
7 ordering paragraphs require more frequent
8 reasonableness reviews? Do you know,
9 Mr. Worden?

10 A I don't know. I would expect the
11 ordering paragraphs speak for themselves.

12 Q Thank you. But you did not cite
13 specifically any portion of that Decision as
14 supporting your view that the Commission is
15 ordering more frequent reviews, do you?

16 A No, it -- it referred to the 2014
17 expenses.

18 Q Thank you.

19 Now, turning your attention to page
20 5, Mr. Worden, lines 12 through 18.

21 A I'm there.

22 Q Thank you. At lines 12 through 14,
23 that is your company's proposal to modify the
24 burden of proof, is it not?

25 A Yes.

26 Q And any party challenging the
27 rebuttable presumption must present the
28 evidence showing that the rebuttable

1 presumption is unreasonable?

2 A Correct.

3 Q Where would that party get that
4 information?

5 A From the normal course of discovery
6 and research.

7 Q Is it not correct that according to
8 line 15, SCE has the detailed evidence
9 showing the work accomplished and the costs
10 incurred in the decommissioning activity? Is
11 that correct?

12 A I wouldn't -- we would provide
13 information and testimony. I -- I'm not sure
14 I understand your question.

15 Q I'm sorry.

16 Is line 15 correct that SCE would
17 have the detailed information regarding the
18 costs and the progress of the construction in
19 the decommissioning activities? Is that a
20 correct statement?

21 A Yes, we would have information and
22 present facts in our testimony. Parties to
23 the Commission's proceedings could conduct
24 discovery and review and analysis of similar
25 work in other locations. And if it had a
26 different conclusion than SCE, it could
27 propose that evidence. Under the Edison
28 proposal, we still retain the obligation or

1 burden to provide detailed testimony. Our
2 proposal does not diminish our obligation to
3 provide detailed testimony when we make these
4 annual showings.

5 Q But you would not have -- I'm
6 sorry.

7 A What we're proposing is that the
8 Commission would make its customary
9 determination that DCE was a reasonable basis
10 to conduct the decommissioning of SONGS 2 and
11 3. So long as we stay within those line
12 items for completed scopes of work in a given
13 year, we would ask the Commission to find our
14 actions to be reasonable.

15 Q Returning to line 12, my question
16 is regarding the DCE estimates. In arriving
17 at determining the reasonableness of the DCE
18 estimates, the company would have the burden
19 of proof; is that correct?

20 A Yes.

21 Q Then after the Commission decides
22 the reasonableness of the estimate, that
23 burden of proof would then shift to a party
24 challenging that estimate?

25 MR. MATTHEWS: Objection, misstates the
26 witness's testimony.

27 MR. LEE: No, I'm asking according to
28 the testimony at lines 12 through 14.

1 ALJ BUSHEY: Mr. Lee, would you like to
2 rephrase your question to ask the witness to
3 confirm what your understanding is?

4 MR. LEE: Thank you.

5 Q Mr. Worden, I may have misphrased
6 my question.

7 Am I correct in understanding,
8 then, after the Commission in my hypothetical
9 were to rule on the reasonableness of the DCE
10 estimate, then under SCE's proposal, a party
11 challenging any costs that are presumptively
12 deemed reasonable under SCE's proposal would
13 have to obtain the evidence because it would
14 have the burden of proving those costs are
15 unreasonable?

16 A Yes. It would have to provide the
17 evidence that would lead the Commission to
18 conclude that despite remaining within the
19 DCE forecast, that the company incurred these
20 expenses unreasonably. And that party would
21 have the obligation to demonstrate it.

22 Q Mr. Worden, you were asked by
23 Mr. Freedman about overages. Do you recall
24 your testimony there?

25 A Yes.

26 Q I'd like to ask you a hypothetical
27 about overages. Let's assume that the DCE
28 estimate is \$1 million, and let's assume that

1 the actual expense exceeded 1 million by
2 another million. So the actual expense is 2
3 million.

4 Now, would a party -- a party
5 challenging the reasonable presumption have
6 the burden of proof with regard to that
7 amount of the 2 million actual that equalled
8 the estimate, that is \$1 million? Would a
9 party under SCE's proposal have the burden of
10 proof regarding that \$1 million?

11 A The first million?

12 Q Yes.

13 A Yes.

14 Q Now, with respect to the overage,
15 the 1 million exceeding the estimate in
16 actual expenses, would the party challenging
17 the reasonableness of that overage have the
18 burden of proof?

19 A No, SCE would have the burden of
20 proof.

21 Q I direct your attention to page 5
22 again, lines 20 to 21. Let me know when
23 you've read that line -- those lines.

24 A I have reread it. Yes.

25 Q Mr. Worden, is the company
26 proposing that the Commission avoid adopting
27 an extreme review standard that discourages
28 prudent action? Is that correct?

1 A Yes. Let me give you an example
2 that may be helpful.

3 Q Thank you.

4 A If the standard was such that the
5 company was faced with routine disallowances
6 no matter how well it managed the work, that
7 would create a discouraging environment.

8 And let's take an example of if we
9 had some soil -- an expanse of soil that we
10 needed to survey, drill core samples. Would
11 you drill five, ten, twenty to ensure that
12 you understood the composition of soil, which
13 could ultimately save dollars going forward,
14 but it was likely in the near term going to
15 contribute to a disallowance? That would be
16 a discouraging circumstance.

17 And our -- our focus is on managing
18 the work as safely and as prudently as
19 possible and in incurring expenses to ensure
20 that we -- that the -- they stay within the
21 trust balances. And in the long term, it is
22 better for the ratepayer and the project to
23 do so, even if it means under my example, of
24 incurring expenses earlier.

25 Such best practices as so-called
26 red teams where industry experts are brought
27 in to critique and assess the company's plans
28 would be an expense that could be

1 incremental, yet would be better for the
2 project over time. And the point of our
3 request here is to create an environment
4 where we're managing the project as safely as
5 we can, we're making the most prudent
6 decisions in light of the many unknowns on
7 the horizon, but not to have a regulatory
8 environment as I view some parties' proposals
9 that would be extreme.

10 ALJ BUSHEY: Mr. Lee, if I could
11 interrupt you for just a minute?

12 MR. LEE: Go ahead.

13 ALJ BUSHEY: I want to pick up on
14 exactly what you're saying. Because it seems
15 to me -- just let me tell you my perspective,
16 and then you can tell me why it's wrong --
17 that the proposal that the companies have
18 brought forward for annual reasonableness
19 reviews so that for example if in an early
20 year you decided you needed a red team -- and
21 I'm just guessing that it's very expensive,
22 and maybe it's not in the budget but in the
23 long term you think it makes sense and will
24 save costs further out. If you do an annual
25 reasonableness review, your annual costs for
26 that year are going to be way over what they
27 should have been. And you come in with this
28 very skewed perception because you're looking

1 at it just over a year.

2 Shouldn't it be a more longer-term
3 perspective on reasonableness? And isn't
4 your own proposal artificially truncating
5 things because of the time it takes the earth
6 to circle the sun?

7 THE WITNESS: Your Honor, I don't -- I
8 don't think so. What we've tried to -- to do
9 with our proposal is to keep in tact our
10 obligation to demonstrate that our expenses
11 were reasonable. And in this instance, if
12 there would be some increment for the
13 so-called red team, we'd provide evidence to
14 demonstrate that it was reasonable.

15 If there was an environment that
16 inevitably lead to annual disallowances no
17 matter how well we worked to manage the
18 project, that would discourage such prudent
19 actions as securing red teams in the future
20 or how many soil samples we might take before
21 we began the remediation of the soil. That's
22 -- that's the problem that we've endeavored
23 to address. We would still have an
24 obligation to demonstrate the red team was a
25 reasonable expense, and that it is better for
26 the project long term. And we would like to
27 make that showing while all the information
28 is fresh rather than save it up for some big

1 three-year showing every -- every three
2 years.

3 ALJ BUSHEY: Okay. I understand your
4 position.

5 Mr. Lee, please continue.

6 MR. LEE: Thank you.

7 Q Mr. Worden, would complying with
8 NRC safety rules be a -- an example of
9 prudent action?

10 A It's beyond -- in my judgment, it's
11 beyond prudent action. That's a
12 prerequisite.

13 Q Right. It's required by law.

14 A And it's required by law and it's
15 required by -- by the company itself.

16 Q Right. So SCE's burden of proof in
17 a triennial proceeding wouldn't have any
18 impact on whether the company decided to
19 comply with NRC safety rules or not? Is that
20 the case?

21 A Mr. Lee, I'd have to hesitate there
22 because I am not steeped in the NRC rules,
23 and I'm not qualified to answer that
24 question.

25 Q Well, you gave an example of hiring
26 a red team and incurring the extra expense
27 because of safety reasons that may extend
28 beyond a year. Did I understand your

1 response correctly?

2 A I don't think that was my
3 testimony, Mr. Lee.

4 Q All right. That's what I'm
5 checking.

6 A What I --

7 Q So -- go ahead.

8 A The red team example was intended
9 to be a circumstance in which the company
10 knew it had a significant milestone in the
11 project ahead of it.

12 Q Right.

13 A And rather than relying upon known
14 resources --

15 Q Right.

16 A -- to make the determination, you
17 would seek to have outside experts who are
18 especially knowledgeable in this given scope
19 of the work come in and critique and
20 challenge and make recommendations about
21 plans you could develop better. That would
22 inevitably lead to an incremental expense --

23 Q Uh-huh --

24 A -- that may not have been part of
25 the previous DCE.

26 And under our proposal, we would
27 continue to have the obligation to
28 demonstrate that the -- that the red team was

1 a reasonable step. But we want to caution
2 the Commission and parties from creating the
3 regulatory environment that would discourage
4 that kind of effort going forward because it
5 would be an incremental expense. And. If we
6 were faced with regular disallowances no
7 matter how well we manage the project, that
8 would be a discouraging environment.

9 Q Well, I'm trying to understand he
10 how what you characterize as an extreme
11 review standard would encourage or discourage
12 hiring a red team under the circumstance
13 you've just posed.

14 A I -- I guess I'm struggling,
15 Mr. Lee, because we may not know it until we
16 see it. But I was simply in my -- in my
17 testimony endeavoring to caution parties that
18 in the zeal to protect our customers'
19 interests that the Commission not construct a
20 standard that over time would have the
21 opposite affect.

22 And if I go back to the soil sample
23 example, which is a real world type of work,
24 going that extra step to make sure you've
25 taken all the soil samples that you would
26 like to take and incurred the expense for
27 that is better for the project overall and
28 better for the ratepayer long term because it

1 would inform the work. There would be fewer
2 uncertainties as the work went forward.

3 Q Uh-huh.

4 A And I would expect over time the
5 cost to the ratepayer would be less.

6 Q Uh-huh.

7 A That's the kind of circumstance
8 that my testimony seeks to avoid or propose
9 be avoided.

10 Q To present that information to the
11 Commission? That's what your proposal would
12 seek to avoid?

13 A No, that's not my testimony. No
14 matter what, we would always present
15 testimony and be required to demonstrate that
16 drilling many soil samples was a reasonable
17 act and a reasonable expense.

18 Q Thank you, Mr. Worden.

19 I direct your attention now to page
20 5 -- excuse me, not page 5. Page 7, lines 18
21 through 20.

22 A I'm sorry. I didn't hear you.

23 Q 7. Page 7, 18 through 20. Lines
24 18 through 20.

25 A I'm there.

26 Q Thank you.

27 Mr. Worden, I understand your
28 rebuttal testimony at this page to state that

1 ORA erred because it did not escalate 2002
2 DCE estimates to 2014 dollars; is that
3 correct?

4 A That was one component. There also
5 was another major factor, which was the
6 slippage of the date assumed in the
7 subsequent DCE when the Department of Energy
8 would accept the spent fuel.

9 Q Okay. But what I see in line 16
10 through 20 is the company's focus on ORA not
11 escalating the 2002 SONGS estimates to 2014
12 dollars?

13 A I would suggest that you back up a
14 little. And there is on line 17 reference to
15 make other necessary adjustments.

16 Q Okay.

17 A And the analysis I reviewed when
18 preparing my testimony identified the
19 acceptance date and the escalation to 2014
20 dollars to be the two major factors.

21 Q Thank you for pointing that out,
22 Mr. Worden.

23 I'd like to ask has SCE performed
24 that calculation of escalating 2002 DCE
25 estimates to 2014 dollars that it criticizes
26 ORA for not doing? Does your rebuttal
27 testimony include such a calculation?

28 A No. However, I reviewed one when

1 the testimony was being prepared.

2 Q Okay. Then I take it your rebuttal
3 testimony does not present the difference
4 between the 2002 DCE and the current DCE at
5 lines 19 through 20?

6 A Yes, I would observe that. And I
7 -- I don't believe that the ORA submitted any
8 discovery inquiring about it either.

9 Q Thank you.

10 Now, turning to page 19, lines 15
11 through 17. I'm sorry. Page 9. Page 9.

12 A 9.

13 Q My mistake. Excuse me.

14 A It didn't look familiar to me.

15 Q Lines 15 through 17. Did I get
16 that right? 9, 15 through 17.

17 A Yes, on page 9 line 15. Yes, I've
18 read it.

19 Q Mr. Worden, when you use the words,
20 "at least in theory," you're speculating?

21 A No. We have one -- maybe I'll back
22 up.

23 No, but in part in the future, I'm
24 indicating that there could be additional
25 circumstances. We have a private letter
26 ruling pending before the Internal Revenue
27 Service that seeks clarification about
28 reimbursement for expenses associated with

1 spent fuel costs that are the subject of
2 Department of Energy litigation.

3 For a plant not San Onofre, the IRS
4 has concluded that those expenses are not
5 permissible to be reimbursed from the trust.
6 We believe we are factually situated
7 differently from that other plant, and we've
8 asked the IRS to rule that these expenses be
9 found to be reasonable and eligible for
10 reimbursement. So we have one real world
11 example which is pending.

12 Q Pending.

13 A And over the time horizon of this
14 project, it's entirely conceivable that there
15 could be others.

16 Q So you're speculating that there
17 may be an instance where the IRS or the NRC
18 may disallow certain expenses --
19 decommissioning expenses. Nothing like that
20 has happened at this time; is that correct,
21 Mr. Worden?

22 MR. MATTHEWS: Objection,
23 argumentative. It's also compound.

24 MR. LEE: I'm sorry. It is compound,
25 and let me withdraw the question and rephrase
26 the question.

27 Q Mr. Worden, at this time have you
28 any past examples of when the IRS or the NRC

1 disallowed an expense out of the
2 decommissioning trust?

3 A I don't have any past examples.
4 And the issue is not a disallowance. I have
5 a present day circumstance that is real and
6 significant because if the IRS rules
7 unfavorably, that could be a significant
8 impact going forward. That is pending today.

9 Q Correct. Thank you. Have you made
10 that private letter -- that private IRS
11 letter a part of your showing here today?]

12 It is not included -- excuse me.
13 Let me give you a chance to answer.

14 A It's not -- that specific ruling is
15 not here. What I'm hesitating about is at
16 the time we submitted this testimony I'm not
17 sure we had submitted the request to the IRS.
18 So I know -- I knew at the time I prepared
19 this testimony this was a problem. And there
20 was a lot of legal research being conducted.
21 And I expected us to seek relief or seek some
22 clarification from the service, but I didn't
23 know if the advice letter would be filed in
24 time. Now, since the preparation of my
25 testimony and as I sit here today, I'm aware
26 that we have submitted the request.

27 Q When do you expect a decision on
28 this matter, Mr. Worden?

1 A I don't know. I'm not qualified to
2 answer that.

3 Q Would you please now go again to
4 page 9 beginning on line 24 and going over to
5 page 10, line 1.

6 A I'm there.

7 Q Thank you. Is it correct that at
8 this time SCE is not asking the Commission to
9 establish authorized revenue requirements in
10 customer rates for SOMBA?

11 A Correct.

12 Q Now I direct your attention to page
13 11, lines 8 through 10.

14 A I'm sorry. I didn't hear you.

15 Q I'm sorry. Page 11, lines 8
16 through 10. Beginning with the word
17 "however."

18 A Yes, I'm there.

19 Q "However," it states, "However, SCE
20 is proposing to request an authorized revenue
21 requirement for recovery in the SOMBA." Is
22 that statement on page 11 inconsistent with
23 the statement on page 9 and 10 that I just
24 asked you to read?

25 A No.

26 Q And why not, Mr. Worden?

27 A The earlier question I understood
28 to reference present day. The testimony on

1 page 11 addresses a prospective circumstance
2 in which certain trust ineligible expenses
3 would be known and the company would request
4 permission to establish an authorized revenue
5 requirement in customer rates.

6 Q Mr. Worden, when you say
7 "prospective," when would SCE make this
8 request for an authorized revenue requirement
9 for recovery in SOMBA? When?

10 A When it was known to the company
11 that the expenses would not be eligible for
12 reimbursement from the trust, and we would
13 request permission to establish an authorized
14 revenue requirement in customer rates, we
15 would also recognize that we would have a
16 subsequent obligation to demonstrate that
17 those expenses were incurred prudently and
18 that the balances recorded in the balancing
19 account were accurate and reasonable.

20 Q So that request would not occur in
21 this proceeding?

22 A I would hope the docket in this
23 proceeding would be closed when faced with
24 that problem.

25 Q And you could make that request in
26 an application earlier than the next
27 triennial proceeding, could you not?

28 A Yes. There would be in my mind

1 more than one venue where the company could
2 make such a submission and ensure that
3 interested parties knew all of the facts that
4 were compelling the company to make such a
5 request.

6 Q Now, I turn your attention to page
7 10, lines 17 to 19.

8 A I'm there.

9 Q Thank you. At lines 17 through 19
10 the company states that if the Commission
11 were to adopt ORA's memorandum account
12 proposal, this could result in SCE going
13 several years before recovering expenses
14 found reasonable by the CPUC; is that
15 correct?

16 A Yes.

17 Q Okay. But you just stated that you
18 may make a new request for revenue
19 requirement in SOMBA earlier than the next
20 triennial proceeding; is that correct?

21 A Correct. For example, it could be
22 requested in an advice letter or it could be
23 an exhibit in a rate case as two examples.

24 Q Thank you. Now, on page 10, page
25 10 again, lines 8 through 12, Mr. Worden, 8
26 through 12.

27 A I'm there.

28 Q Okay. You've analogized your

1 request for a balancing account in SOMBA to a
2 balancing account for PBOPs?

3 A Correct.

4 MR. LEE: Okay. Now, why -- excuse me.
5 One minute, your Honor. I may speak to my
6 client. May we be off the record?

7 ALJ BUSHEY: We'll be off the record.

8 (Off the record.)

9 ALJ BUSHEY: We'll be back on the
10 record.

11 Mr. Lee.

12 MR. LEE: Thank you.

13 Q Mr. Worden, when you say that
14 because the Commission established a
15 balancing account for PBOPs it's appropriate
16 to establish a balancing account for SOMBA;
17 is that correct?

18 A No, that's not correct. My
19 testimony does not say that necessarily
20 because the Commission has adopted a PBOPs
21 account, balancing account, it should adopt
22 the SOMBA for trust in eligible accounts.
23 That's the way I interpreted your question.

24 I was using it as an example of
25 balancing accounts that we have in our
26 tariffs that have been authorized by the
27 Commission. And they work well. There's a
28 complete evidentiary showing of the forecast

1 as well as the reported expenses. And these
2 expenses are really not in doubt about
3 whether or not they are a genuine cost of
4 service. I was not necessarily linking the
5 facts of the PBOPs balancing accounts with
6 the facts of the SOMBA, but rather, the
7 simple ratemaking mechanics.

8 Q Thank you for that clarification,
9 Mr. Worden. In other words, you don't regard
10 health care costs for retirees as analogous
11 to decommissioning costs for SOMBA; is that
12 correct?

13 A Correct. I was referencing only
14 the workings of the balancing account in
15 ratemaking terms.

16 MR. LEE: Thank you, Mr. Worden, for
17 your time. That ends my cross-examination
18 time. Thank you.

19 ALJ BUSHEY: Thank you, Mr. Lee.

20 Mr. Lutz.

21 We'll be off the record.

22 (Off the record.)

23 ALJ BUSHEY: We'll be back on the
24 record.

25 Mr. Lutz.

26 CROSS-EXAMINATION

27 BY MR. LUTZ:

28 Q Yes. Ray Lutz with Citizens

1 Oversight. Good to see you again, Mr.
2 Worden.

3 A Same here. It's good to see you.

4 Q Okay. First of all, you indicated
5 in your testimony earlier that the advice
6 letter process has changed from what was in
7 the written testimony. Is that accurate?

8 A Yes. I recall I -- there may -- I
9 think there may have been a subsequent
10 Commission decision. My memory is a little
11 hazy. But I believe the structure that is in
12 place today for Humboldt is the two advice
13 letters per year roughly to seek permission
14 for reimbursement in a future calendar year
15 and then a subsequent reconciliation. And
16 that keeps all parties informed about the
17 status of the project. But that clearly does
18 not under our proposal stand as a substitute
19 for the reasonableness showing which would
20 take place on its own.

21 Q Okay. Thank you. Now, this advice
22 letter process that's being proposed and at
23 least partially documented in your testimony,
24 is that something that will be essentially
25 approved in this proceeding? Is that part of
26 this process that we're going through now is
27 to approve this process?

28 A That would be helpful and positive.

1 Our intent is to follow that process during
2 the pendency of this proceeding. So we
3 intend to follow it until the Commission
4 directs us otherwise.

5 Q Were there any other changes other
6 than the schedule of the -- you said earlier
7 it was once a year and now it's twice a year.
8 Is that the main change from what you have
9 documented in that testimony?

10 A Yes.

11 Q Okay. And hopefully this whole
12 thing will be documented in one tight little
13 package so we can all follow it. Is that
14 what you're thinking?

15 A You and I are aligned there.

16 Q Okay.

17 A Yes, yes.

18 Q Now, on the Table 2-3 on page 39
19 that we've been looking at.

20 A We're in the direct testimony.

21 Q In the direct testimony. You said
22 this was a sample of the type of recording
23 that you would usually expect at a high
24 level. Is that accurate?

25 A In the advice letter.

26 Q Okay. Will the process include
27 contingency tracking?

28 A I don't know. I would defer that

1 to Mr. Bledsoe.

2 Q Okay. Earlier in the data request
3 that we covered yesterday SCE said that they
4 expect to be reimbursed for items not in the
5 DCE. How will the reporting cover this
6 aspect? Are you going to include new items
7 that you've spent money on that were not in
8 the DCE in the report in the advice letter?

9 MR. MATTHEWS: Objection. Vague. The
10 question is confusing.

11 MR. LUTZ: Q Okay. Let me try to
12 break it down. There may be -- let me ask
13 you this question. There may be items that
14 were not predicted in the DCE that SCE felt
15 prudent that you should spend money in that
16 way at that time; is that correct?

17 A I would expect so, yes.

18 Q And if you did spend money that was
19 outside what was expected and was not a line
20 item in the DCE, would that be included in
21 the reporting in the advice letter that you
22 did spend additional money not in any line
23 item?

24 A Yes. That would be included in the
25 March advice letter that would be
26 retrospective for the previous calendar year.

27 Q Okay. So --

28 A And I -- to the extent it was an

1 ongoing expense, I would anticipate it being
2 part of the October advice letter because we
3 would need reimbursement in the future.

4 Q I heard the term "emergent
5 expenses" used for such things. Would such
6 emergent expenses be included as a
7 contingency? Would that come out of the
8 contingency fund portion of the estimate?

9 MR. MATTHEWS: Objection. Calls for
10 speculation.

11 ALJ BUSHEY: I don't know that it's
12 speculation. Is it accurate to say that
13 there is such a thing as a contingency fund
14 per se?

15 MR. LUTZ: No. Let's not call it that.

16 Q There's a predicted contingency on
17 each line item in the DCE; is that correct?

18 A I haven't looked at every line
19 item. I know there --

20 Q There's a column?

21 A It's present in all of them.

22 Q Yeah. There's a column. And also
23 it's been said that the contingency needs to
24 be reviewed as a whole on the project as well
25 not just line item by line item in some
26 fashion. Can you explain that?

27 A I haven't read that
28 characterization. Mr. Lutz, I would observe

1 that a contingency is a well established cost
2 engineering principle, and whether one is
3 building a home or an automobile or
4 decommissioning a power plant, invariably
5 there are contingencies.

6 Q Okay. Let me do it this way. On
7 SCE-1, page 45, we have covered this in
8 TURN's cross-examination, it says, "In
9 exchange, SCE requests that the costs
10 recorded for completed activities in a
11 particular cost category and period during
12 the corresponding calendar year are bounded
13 by the estimated costs. Then they would be
14 considered" -- I'm sorry -- "it would be
15 considered a presumed reasonable" -- I'm
16 sorry, I didn't get it -- "expenditures for
17 these activities would be presumed
18 reasonable."

19 A Mr. Lutz, can you point me to the
20 line?

21 Q Okay. SCE-1, page 45, lines 17
22 through 20.

23 A There -- I'm sorry. I was reading
24 higher up. I couldn't find -- okay. I'm
25 there.

26 Q And the most important phrase there
27 is "expenditures for those activities would
28 be presumed reasonable," that is, if they're

1 within the -- bounded by the estimated cost.
2 Now, does the estimated cost include the
3 contingency?

4 MR. MATTHEWS: Objection. Asked and
5 answered.

6 ALJ BUSHEY: It is asked and answered.
7 The answer is yes, Mr. Lutz.

8 MR. LUTZ: The answer is yes. Well,
9 just let him answer. Okay.

10 Q All right. You said that if it is
11 less than the estimate of the base cost plus
12 the contingency, then it would be considered
13 reasonable. Would there be a review that the
14 task was actually done appropriately?

15 MR. MATTHEWS: Objection. Vague.

16 MR. LUTZ: Q How do we know that you
17 actually completed the task?

18 ALJ BUSHEY: Mr. Lutz, didn't we go
19 over this yesterday?

20 MR. LUTZ: What?

21 ALJ BUSHEY: When Mr. Matthews or any
22 other attorney makes an objection.

23 MR. LUTZ: Yes.

24 ALJ BUSHEY: Then I rule on it before
25 you say anything. Okay?

26 MR. LUTZ: Okay.

27 ALJ BUSHEY: Okay.

28 MR. LUTZ: Thank you.

1 ALJ BUSHEY: So we have an objection.

2 MR. LUTZ: I'm willing to wait.

3 ALJ BUSHEY: Well, thank you. That's
4 very kind of you. However, in dealing with
5 Mr. Lutz, Mr. Walker, or Mr. Matthews, I've
6 forgotten your objection.

7 MR. MATTHEWS: The objection was it was
8 vague. I think the question had something to
9 do with review, whether it was appropriate.

10 ALJ BUSHEY: Appropriate. Yes. You
11 used the word "appropriate." That is vague
12 in this context. So I sustain his objection
13 to your use of that word but allow you to
14 rephrase your question to use a more
15 recognized standard.

16 MR. LUTZ: Q Okay. How do we know
17 that the work was actually done?

18 MR. MATTHEWS: Objection. Lacks
19 foundation. I'm not sure this is the best
20 witness to answer the question about
21 completion of decommissioning work.

22 ALJ BUSHEY: It's not just completion.
23 It's more of accounting. And it -- it's a
24 big question.

25 MR. LUTZ: Q Let me ask this different
26 question then. Does not SCE have the burden
27 of proof to show that the task was completed
28 appropriately without cutting corners?

1 MR. MATTHEWS: Objection.

2 Argumentative. Vague.

3 ALJ BUSHEY: Well, it's argument, and
4 it's also vague. Appropriately and without
5 cutting corners.

6 MR. LUTZ: Okay.

7 Q For each task, line item on the DCE
8 there's a description of what that task
9 entails, is there not?

10 A Yes.

11 Q When you request money from the
12 trust fund, if the task is partially
13 complete, do you not ask for partial funding
14 for that item or you wait till the whole
15 thing is completed before you get the money?

16 A Under our proposal in the October
17 advice letter we would forecast the expected
18 expenses that we would incur in the upcoming
19 calendar year. So if we take this year, for
20 example, we could find ourselves in a
21 circumstance where we would file an advice
22 letter in October of 2015. We would identify
23 expenses for calendar year 2016. Those
24 expenses would include undistributed
25 expenses, security, insurance. It would
26 include the cost of work to be commenced and
27 concluded or in midstream for calendar year
28 2016. I analogized it to a line of credit.

1 That is, we'd ask the Commission for
2 permission to be reimbursed for those
3 expenses in calendar year 2016.

4 The reasonableness showing that
5 would take place in 2017 under our proposal
6 would be for work that was completed, scopes
7 of work completed in calendar year 2016 plus
8 the undistributed expenses for 2016 but would
9 omit the reasonableness showing for work in
10 2016 that was reimbursed but not yet
11 completed. That would be a showing in a
12 subsequent year.

13 Q Okay. Mr. Worden, you used two
14 terms here. One was tasks that were
15 concluded and scopes of work completed. When
16 you claim that a task was concluded, is it
17 not your burden of proof to show us that
18 indeed it was?

19 A First, I meant those phrases to be
20 synonymous.

21 Q Right. Okay.

22 A And the more accurate would be
23 completed scopes of work. And we would have
24 a burden to demonstrate that we had
25 accomplished the work and that it had come in
26 within the forecast in the DCE that the
27 Commission would have previously found to be
28 a reasonable basis. And parties claiming

1 otherwise would have a burden of proof under
2 our proposal.

3 Q Okay. So the items that were under
4 or equal to the estimate are not
5 automatically presumed reasonable because you
6 still have to show that the scope of work was
7 completed, correct?

8 A Correct. Under our proposal the
9 company has an obligation to make a complete
10 evidentiary showing that persuades the
11 Commission that the work was accomplished,
12 that we came in consistent with DCE forecast
13 that the Commission would have previously
14 found to be a reasonable basis to
15 decommission the units.

16 Q And if parties believe that
17 additional work is appropriate, such as you
18 mentioned, the red team, maybe there were
19 parties that believe that additional work is
20 necessary at this decommission site, what
21 would be the process for that if a party
22 was -- felt that SCE is not doing enough?

23 A I believe the party would have the
24 obligation to come forward and provide
25 evidence to persuade the Commission that the
26 DCE should be augmented in some way to have
27 additional scopes of work either in the NDCTP
28 or in the reasonableness showing.

1 Q Okay. I know we're about to end
2 here. I have just two more questions. Would
3 the contingency from completed tasks -- let's
4 say you have a completed task which ran under
5 the estimate. Would that contingency that
6 was unused for that task be then useable in
7 subsequent tasks in later periods in other
8 tasks that would shift over to other tasks,
9 or would it go away?

10 MR. MATTHEWS: Objection. Asked and
11 answered. I think there was a question on
12 this.

13 ALJ BUSHEY: I'll have to overrule that
14 objection because I don't know the answer to
15 it and it's a very interesting question.

16 THE WITNESS: I view it differently,
17 Mr. Lutz, because you and I may have a
18 different opinion about what constitutes a
19 contingency. The contingency in the forecast
20 recognizes variables that cannot be
21 quantified in great detail. The recorded
22 expenses may come in below the line item
23 forecast. In that instance for the project
24 overall and the DCE overall there is greater
25 contingency assumed in the forecast all other
26 things being equal. So the company would not
27 need to be reimbursed for contingency that
28 never was incurred.

1 MR. LUTZ: Q Okay. I guess I -- let
2 me make sure I understand this. Would the --
3 any line item that is partially completed,
4 would that be -- would you get money from the
5 trust for a partially completed line item out
6 of a time period?

7 A Yes. On an initial basis.

8 Q Okay.

9 A But in the discussion that your
10 Honor and I had earlier today, I identified a
11 circumstance in which the Commission at a
12 future date could conclude that an expense
13 that was incurred by the company reimbursed
14 from the trust in Year 1 would be taken away
15 in a subsequent year if the Commission
16 concluded that expense was unreasonable. It
17 was the benefit analogy that I used.

18 Q Okay. I'm going to ask this last
19 question. In ORA's questioning they read
20 over some parts of the testimony, and it
21 talked about going and getting money outside
22 of the DCE for things that were not approved
23 within the DCE, the decommissioning project
24 itself. You might get money or funds from
25 the Commission for other things that were
26 outside the scope. Do you remember that?]

27 A Yes, but that's not exactly a
28 characterization in my testimony.

1 If I may --

2 Q Okay. Go ahead.

3 A These are for expenses that the IRS
4 or perhaps the NRC had concluded were not
5 eligible to be reimbursed.

6 Q So my question is on those amounts,
7 are they going to be included in the -- in
8 the reports -- the advice letter report?

9 A Yes.

10 MR. LUTZ: Okay. That concludes my
11 questions.

12 ALJ BUSHEY: Thank you Mr. Lutz.

13 Redirect Mr. Matthews? Do you need
14 a minute to confer?

15 MR. MATTHEWS: Yes.

16 ALJ BUSHEY: We'll be off the record.

17 (Off the record.)

18 ALJ BUSHEY: We'll be back on the
19 record.

20 Redirect, Mr Matthews?

21 MR. MATTHEWS: Yeah, one question.

22 Sure, I'll take the microphone.

23 MR. LUTZ: Oh, I'm sorry. Here you go.

24 REDIRECT EXAMINATION

25 BY MR. MATTHEWS:

26 Q One question, Mr. Worden. And this
27 relates to some questions regarding
28 disallowance options -- in the event that the

1 Commission assessed a disallowance for
2 certain decommissioning costs. And that is
3 is one option available to the Commission is
4 to direct SCE to make a contribution to a
5 nonqualified trust? Is that an option?

6 A Yes.

7 MR. MATTHEWS: No further questions,
8 your Honor.

9 ALJ BUSHEY: Thank you. Final
10 questions for the witness?

11 Mr. Freedman?

12 RECROSS-EXAMINATION

13 BY MR. FREEDMAN:

14 Q Your Honor -- I'm sorry.

15 Mr. Worden, in response to
16 questions from counsel, you said that one
17 possible requirement would be a contribution
18 to the nonqualified trust. Is that a
19 shareholder or a ratepayer contribution?

20 A The contribution to the trust is
21 another avenue following onto the discussion
22 I had with the ALJ, which is a circumstance
23 in which the Commission had concluded that an
24 expense incurred was unreasonable, it had
25 been reimbursed from the qualified trust.

26 The Commission could direct SCE to
27 make a contribution to the nonqualified
28 trust, which would make the ratepayer whole.

1 The ratepayer would not have paid for the
2 benefit in question, and the trust would have
3 been restored. But it would avoid the -- the
4 tax event that I alluded to earlier.

5 Q And then that effect would be the
6 shareholders would cover that cost?

7 A Yes.

8 MR. FREEDMAN: Thank you.

9 ALJ BUSHEY: Further questions?

10 (No response.)

11 ALJ BUSHEY: Hearing none, the witness
12 is excused, and we are in recess until 1:30.

13 (Whereupon, at the hour of
14 12:09 p.m., a recess was taken until
1:30 p.m.)

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1 AFTERNOON SESSION - 1:33 P.M.

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4 ALJ BUSHEY: We will be back on the
5 record.

6 Mr. Matthews, would you like to call
7 your next witness?

8 MR. MATTHEWS: Yes, your Honor. SCE
9 calls Nino Mascolo.

10 NINO MASCOLO, called as a witness by
11 Southern California Edison Company,
12 having been sworn, testified as
13 follows:

13 THE WITNESS: Good afternoon.

14 I do.

15 ALJ BUSHEY: Please be seated.

16 State your full name for the record
17 and spell your last name.

18 THE WITNESS: My name is Nino Joseph
19 Mascolo, the last name is spelled
20 M-a-s-c-o-l-o.

21 ALJ BUSHEY: Mr. Matthews.

22 MR. MATTHEWS: Thank you.

23 DIRECT EXAMINATION

24 BY MR. MATTHEWS:

25 Q Mr. Mascolo, the purpose of your
26 testimony in this proceeding is to sponsor
27 portions of Exhibits 01, 03, 04, 07, and 09
28 for SCE's direct and rebuttal testimony,

1 witness qualification, and errata as
2 identified in the table of contents thereto?

3 A That's correct.

4 Q For Exhibit 01, which is SCE's
5 direct testimony, this material was not
6 prepared by you or under your supervision;
7 correct?

8 A That is also correct.

9 Q Can you explain the circumstances
10 involved in your sponsoring this portion of
11 testimony?

12 A Yes, I can. Mr. Park was the prior
13 sponsor to the testimony. He no longer works
14 for the company. Because of my current role
15 in working on various San Onofre issues, I
16 was asked to take Mr. Park's place and just
17 sponsor the testimony on his behalf.

18 Q And you have reviewed the materials
19 in Exhibit 01?

20 A I have.

21 Q And you also have prepared or it
22 was prepared under your supervision the
23 materials in Exhibits 03, 04, 07, and 09;
24 correct?

25 A That's correct.

26 Q In so far as all of this material
27 is factual in nature, do you believe it to be
28 correct?

1 A I do believe it is correct.

2 Q In so far as all this material is
3 in the nature of opinion or judgment, does it
4 represent your best judgment?

5 A Yes, it does.

6 Q Do you adopt this material as your
7 sworn testimony in this proceeding?

8 A I do.

9 MR. MATTHEWS: Your Honor, the witness
10 is available for cross-examination.

11 ALJ BUSHEY: Thank you.

12 Mr. Geesman.

13 MR. GEESMAN: Thank you your Honor.

14 CROSS-EXAMINATION

15 BY MR. GEESMAN:

16 Q Good afternoon, Mr. Mascolo. My
17 name is John Geesman. I represent an
18 organization called Alliance for Nuclear
19 Responsibility.

20 I would like to ask you a couple
21 questions about your rebuttal testimony,
22 which has been marked as Exhibit 07. My
23 questions center on your answer to Question
24 45, which appears at page 24 of Exhibit 07.

25 A One moment, please.

26 Okay. Thank you for waiting.

27 Q What role do you play for Southern
28 California Edison in dealing with the Navy on

1 the subject of the Navy easement?

2 A I have been asked to be the lead
3 SCE representative in discussions with the
4 Navy with regard to the plant site easement.

5 Q You've been asked to perform that
6 role, and I presume you've accepted it?

7 A Yes, sir.

8 Q The first several lines of your
9 answer, specifically lines 5 and 6 on page
10 24, indicate that the company has tried to
11 better define the subsurface requirements
12 depending upon the Navy's planned future use
13 of the easement area. What's ambiguous about
14 the language in the current easement?

15 A I would not say that the language
16 is ambiguous, Mr. Geesman, but I would say
17 that the language does not have a clear
18 remediation standard associated with it.

19 Q So Edison would prefer to bring
20 greater clarity to that remediation standard;
21 is that correct?

22 A Yes, sir.

23 Q And what type of clarity would you
24 suggest?

25 A We would like to see the Navy
26 define the subsurface structure removal
27 requirements. We would also like to see the
28 Navy define the decontamination requirements

1 associated with the plant site easement.

2 Q And by decontamination
3 requirements, you mean any decontamination
4 requirements in addition to those required by
5 the NRC?

6 A That's correct.

7 Q Let's set aside the decontamination
8 issue and focus on what you mean by better
9 define the subsurface requirements.

10 Currently am I correct in
11 understanding that the Navy can direct Edison
12 to remove all structures below three feet of
13 the subsurface?

14 A I believe that under the existing
15 lease, the Navy has that authority.

16 Q So how would you better define the
17 three-foot requirement?

18 A The current easement language,
19 specifically paragraph 12, does not mandate
20 that SCE remove all of the subsurface
21 structures. It allows the Navy to make a
22 determination at some point in time how much
23 of the subsurface structure should be
24 removed. SCE and our partner SDG&E would
25 like to see the Navy tell us how many -- how
26 much subsurface structures should be removed
27 so that we can plan accordingly.

28 Q So is that a change in the number

1 three to some other number, or is it a
2 designation structure by structure as to what
3 the Navy wanted removed?

4 A I'm not sure I'm fully
5 understanding the question. Your reference
6 to the number three, what do you mean by
7 that?

8 Q Three feet. The current
9 requirement as I understand it is three feet
10 -- rather, the Navy has the ability to
11 require Edison to remove structures below a
12 three-foot level that Edison would otherwise
13 be required under NRC requirements to remove;
14 is that accurate?

15 A Almost. And let me answer your
16 question and then you might want to have a
17 follow-up on that.

18 The NRC does not require that we
19 remove structures to three feet below grade.
20 That is our proposal based upon what we
21 believe is appropriate for removing
22 subsurface structures. That's what is normal
23 from my understanding. I don't have
24 firsthand knowledge of this, but that's what
25 we understand is normal for most nuclear
26 facilities during decommissioning.

27 So it's not a requirement, but it
28 is a proposed end state that we think is

1 appropriate, and we would seek the Navy
2 concurrence that that is acceptable. The
3 Navy does not need to accept that. They
4 could impose a more stringent requirement.

5 Q If I look at the -- lines 14
6 through 16 on page 24, I see the sentence
7 that says:

8 However, to the extent the
9 Navy relieves SCE from the
10 obligation to remove
11 uncontaminated
12 improvements, SCE may
13 abandon those improvements
14 in places directed by the
15 Navy.

16 I read that accurately?

17 A I think you read the sentence
18 accurately.

19 Q When you say may -- SCE may abandon
20 those improvements as directed by the Navy,
21 you really mean you will abandon those
22 improvements if directed by the Navy, do you
23 not?

24 A No, sir.

25 Q Okay. Clarify -- clarify for me
26 what this last clause of the sentence is
27 intended to mean?

28 A It's intended to note that there

1 needs to be flexibility in what subsurface
2 structures SCE will remove upon
3 decommissioning. For example, let's assume
4 that the Navy says, "Tell you what? Removing
5 subsurface structures down to three feet
6 below grade, that's good with us. We're fine
7 with that." Our decommissioning contractor
8 goes out there and determines that subsurface
9 structures in one location at four feet below
10 grade are contaminated with either residual
11 radioactivity or maybe another hazardous
12 material such that it's better to remove that
13 than to leave it in place. It would be
14 removed.

15 Another example may be let's assume
16 your subsurface structure has a foundation
17 that goes down 4.5 feet below the surface.
18 It would probably be more cost effective to
19 remove the entire subsurface structure than
20 it would be to remove three feet and then cut
21 the concrete at that three-foot level. So we
22 would like to make sure that we have
23 sufficient flexibility to do what -- to allow
24 the decommissioning general contractor to
25 undertake decommissioning in the most
26 appropriate manner.

27 Q But your proposal to the Navy is to
28 limit the Navy's authority to direct you to

1 remove uncontaminated structures be limited
2 to three feet below the surface; is that
3 correct?

4 A I wouldn't characterize it quite
5 like that. May I characterize it a little
6 bit differently?

7 Q Certainly.

8 A I wouldn't say that it would be a
9 limit on the Navy's authority because -- and
10 the reason I say that is because the Navy
11 hasn't imposed an obligation on is now, so
12 there's not really a limitation to it. It's
13 defining what the Navy's requirements will be
14 more specifically. Right now there's a broad
15 range of what the Navy can require, and we
16 want to define that.

17 Q The point of my question -- and I'd
18 -- I'd ask you to respond to my statement --
19 is to determine how passive Southern
20 California Edison is being on this question
21 of clarification versus how aggressively it
22 is seeking to limit the Navy's authority to
23 direct you to remove all subsurface
24 structures. And where on that spectrum
25 between passive and active would you
26 characterize Edison's position?

27 MR. MATTHEWS: Objection on the grounds
28 that the phrasing of the question is

1 argumentative.

2 ALJ BUSHEY: Sustained.

3 Mr. Geesman, let's try something a
4 little less descriptive.

5 MR. GEESMAN: I think I'll quit there,
6 your Honor.

7 ALJ BUSHEY: All right. Thank you.

8 Mr. Lutz.

9 CROSS-EXAMINATION

10 BY MR. LUTZ:

11 Q Hello. My name is Ray Lutz with
12 citizen's oversight. I assume it's you,
13 Mr. Bledsoe.

14 A Good afternoon.

15 Q Now, are you -- you are employed by
16 Southern California Edison; correct?

17 A Yes, sir.

18 Q You -- who is your immediate
19 supervisor?

20 A The director that I report to is
21 named Dawn Wilson, D-a-w-n.

22 Q Okay. Mr. Bledsoe, you
23 participated in the production of responses
24 to the data requests from Citizens Oversight,
25 did you not?

26 MR. MATTHEWS: The witness has a
27 different name.

28 ALJ BUSHEY: Mr. Lutz, this isn't

1 Mr. Bledsoe.

2 MR. LUTZ: Who is this?

3 ALJ BUSHEY: This is Mr. Mascolo.

4 MR. LUTZ: Oh, I'm sorry.

5 THE WITNESS: I'm not. I'm glad I'm
6 not.

7 ALJ BUSHEY: We'll be off the record.

8 (Off the record.)

9 ALJ BUSHEY: We'll be back on the
10 record.

11 As Mr. Lutz prepares his questions
12 for this witness, I just have a couple of
13 follow-up questions for you.

14 EXAMINATION

15 BY ALJ BUSHEY:

16 Q Would it be fair to say that the
17 decommissioning cost estimate has the worst
18 case scenario for the outcome of the Navy
19 contract negotiations?

20 A I'll give you my opinion on that,
21 but because I didn't prepare the
22 decommissioning cost estimate. I can't tell
23 you that it's accurate. But how I look at
24 it -- assuming the decommissioning cost
25 estimate that I -- that I understand it
26 completely. I believe it does present the
27 worst case scenario removal of the intake and
28 discharge conduits and full removal of all

1 the subsurface and surface structures on
2 site. So in that respect, I think it does
3 present a worst case scenario.

4 Q Okay. And based on your experience
5 to date with the negotiations with the Navy,
6 do you have an opinion as to the likelihood
7 of that outcome?

8 A I -- I am an optimist. I have been
9 one for most of my life probably. I believe
10 that the Navy will accept something less than
11 full removal.

12 However, I have also discussed this
13 with others that have had more experience
14 than I have in dealing with the military, a
15 former officer that used to work for the
16 Department of the Navy. And they have
17 cautioned me not to be that optimistic
18 because this is the Navy's property. And
19 they may not know what they want to do with
20 this property in the future and they may very
21 well say, "You need to remove everything
22 because we don't know what we," we being the
23 Navy, "want to do with the property,
24 therefore, remove it all."

25 Q To keep all of their options open?

26 A To keep all their options open.
27 And the example given to me was if this were
28 your land, would you want somebody to leave

1 their stuff on it? So I am optimistic,
2 however, there is a strong dissenting view.

3 Q Okay. And that dissenting view has
4 predominated in the amount estimated in the
5 decommissioning cost estimate for remediation
6 of the Navy property?

7 A I like the way you characterized it
8 earlier as it's the worst case scenario
9 because I don't think we discussed it with
10 these individuals prior to coming up with the
11 DCE.

12 Q Okay. It's the worst case
13 scenario. Do you know if the contingency
14 factor is applied to that amount?

15 A I do not know.

16 ALJ BUSHEY: All right. Thank you.

17 Mr. Lutz?

18 MR. LUTZ: Okay. Let's restart.

19 CROSS-EXAMINATION (Resumed.)

20 BY MR. LUTZ:

21 Q Now, I only really have one
22 question here. I understand that these --
23 according to the SCE testimony, it says --
24 SCE-01, page 25:

25 SCE anticipates that it
26 will complete nearly all of
27 the above site restoration
28 activities during the 20

1 year DNE schedule in 2016,
2 and it will terminate the
3 Navy easement except as
4 required for the ISFSI near
5 the end of the schedule.

6 A Mr. Lutz, excuse me. Would you
7 repeat that slower? And if you -- I'm not
8 sure I have the right page.

9 Q If I could refer you to SCE-01,
10 page 25, lines 23 to 24.

11 A I don't think I have those page in
12 front of me, so if you could read it slowly,
13 that would be appreciated. Thank you.

14 Q Let me just get to the end here
15 where it says that beginning "in 2016, it
16 will terminate the Navy easement except as
17 required for the ISFSI near the end of that
18 schedule."

19 A All right. My question is do you
20 -- let me start with do you understand that
21 would be the case that the ISFSI easement
22 would continue even though the bulk of the
23 site would be turned back over to the Navy?

24 A The likely scenario is slightly
25 different than how you've described it, but I
26 think we get to the same result. My
27 understanding is that what will likely happen
28 is that after the site has been

1 decommissioned with the exception of the area
2 encompassed by the ISFSI and the switch yard,
3 which is currently within the plant site
4 easement, and some telecommunication
5 facilities and there may be some other
6 pertinences such as access roads, water
7 lines, et cetera -- that at that point in
8 time we would seek an amendment to the
9 existing plant site easement from the Navy to
10 reduce the size of the easement to return the
11 property that is not necessary for continued
12 utility purposes to be returned to the Navy
13 for their use. Is that helpful?

14 Q Yeah, that's very helpful because I
15 was going to ask if the switch yards would
16 still be in place, and it sounds like you've
17 answered that with a yes. It would still be
18 there?

19 A My understanding is that it would.

20 MR. LUTZ: Thank you very much.

21 That's all I have.

22 ALJ BUSHEY: Thank you, Mr. Lutz.

23 Redirect, Mr. Matthews.

24 MR. LUTZ: Microphone right here.

25 MR. MATTHEWS: No redirect, your Honor.

26 ALJ BUSHEY: Thank you.

27 The witness is excused.

28 Mr. Matthews, your next witness?

1 MR. MATTHEWS: Thank you, your Honor.
2 SCE calls Bob Bledsoe.

3 ROBERT BLEDSOE, called as a witness
4 by Southern California Edison Company,
5 having been sworn, testified as
6 follows:

7 THE WITNESS: Yes.

8 ALJ BUSHEY: Please be seated.

9 State your full name for the record,
10 and spell your last name.

11 THE WITNESS: My name is Robert --
12 sorry -- Dean Bledsoe. That's spelled
13 B-l-e-d-s-o-e.

14 ALJ BUSHEY: Thank you.

15 Mr. Matthews?

16 DIRECT EXAMINATION

17 BY MR. MATTHEWS:

18 Q Mr. Bledsoe, the purpose of your
19 testimony in this proceeding is to sponsor
20 portions of Exhibits 01, 02, 03, 04, 07, and
21 09, or SCE's direct and rebuttal testimony,
22 witness qualifications and errata as
23 identified in the table of contents thereto?

24 A Yes.

25 Q Was this material prepared by you
26 or under your supervision?

27 A Yes.

28 Q In so far as this material is
factual in nature, do you believe it to be

1 correct?

2 A Yes.

3 Q In so far as this material is in
4 the nature of opinion or judgment, does it
5 represent your best judgment?

6 A Yes.

7 Q Do you adopt this material as your
8 sworn testimony in this proceeding?

9 A Yes.

10 MR. MATTHEWS: Your Honor, the witness
11 is available for cross-examination.

12 ALJ BUSHEY: Thank you, Mr. Matthews.

13 Why don't we start with Mr. Geesman.
14 He has the shortest projected questioning
15 period. And then we'll go next to
16 Mr. Peffer.

17 MR. GEESMAN: Thank you, your Honor.

18 CROSS-EXAMINATION

19 BY MR. GEESMAN:

20 Q Good afternoon, Mr Bledsoe. John
21 Geesman on behalf of the Alliance for Nuclear
22 Responsibility.

23 A Good afternoon, Mr. Geesman.

24 Q I have questions about your
25 rebuttal testimony, which has been marked as
26 Exhibit 07. My questions start on page 25.

27 A I'm there.

28 Q If you would look at the answer you

1 provided to Question 49, I have several
2 questions.

3 First, that reference to
4 \$133 million on line 19, that's 2014 dollars;
5 right?

6 A Yes, it is.

7 Q And then you indicate that you've
8 performed an additional sensitivity analysis
9 that has produced a number of 149 million.
10 That's at line 20. Do you see that?

11 A Yes.

12 Q Why did that number go up by about
13 12 percent over the course of the two years
14 between the two calculations?

15 A As I explain here in line 17 and
16 18, the sensitivity amounting to \$133 million
17 was based on the July 2013 ABZ Study, whereas
18 the \$149 million sensitivity was based on the
19 current DCE that's before this Commission.

20 Q So is there a material difference
21 in assumption between those two calculations
22 that would account for the 12 million -- or
23 the 12 percent increase?

24 A It's essentially the product of two
25 different estimates developed by two
26 different estimators. It's within a
27 reasonable range.

28 Q Okay. Were you here yesterday when

1 Mr. Palmisano testified?

2 A Yes.

3 Q There was quite a bit of discussion
4 as to whether it would be fair to take the
5 133 million, divide it by 10, and come up
6 with a proxy for what the effect of a
7 one-year delay would be. Do you recall that?

8 A Yes.

9 Q Could I do the same with the 149
10 million?

11 A Yes.

12 Q So roughly 14.9 million per year of
13 delay in DOE's acceptance date would be a
14 reasonable approximately?

15 A Yes.

16 Q Could I expand that out
17 indefinitely? You did a 10-year scenario.
18 If I doubled the 149 million, would I have a
19 reasonable estimate of a 20-year delay?

20 A Based on the calculations that are
21 used in this decommissioning cost estimate,
22 yes, and the assumptions that are built into
23 that, yes.

24 Q And if I were trying to get to a
25 100-year delay, could I multiply it by 10?

26 A Generally, yes.

27 Q I have a question at page 18 of
28 Exhibit 07.

1 A I'm there.

2 Q And it's your answer to Question 34
3 on line 6 where you indicate that the
4 Commission typically does not approve a
5 project schedule. Effectively with respect
6 to the spent fuel management assumptions
7 under this DCE, aren't you asking the
8 Commission to implicitly approve your
9 schedule?

10 MR. MATTHEWS: Objection, vague. Could
11 the question be a little more specific?

12 ALJ BUSHEY: I'll sustain that
13 objection with some direction that you expand
14 on the notion of implicitly.

15 MR. GEESMAN: Q I'm not trying to be
16 argumentative, Mr. Bledsoe, but it appears to
17 me that spent fuel management is a
18 significant part of the DCE cost estimate and
19 that a major component of your calculations
20 of the DCE have been premised on your assumed
21 acceptance date by DOE for deliveries of
22 spent fuel.

23 My question is whether in asking the
24 Commission to approve the DCE, are you also
25 asking the Commission to endorse your
26 assumptions about that DOE acceptance date?

27 A No.

28 Q Could you elaborate?

1 A We have developed this DCE using an
2 assumption regarding the DOE's performance in
3 picking up the spent fuel. We -- the cost
4 reflected in the DCE reflect that assumption.
5 We're asking for the Commission to find that
6 the DCE as a whole is reasonable, including
7 the fact that it is -- is based on that
8 current assumption. We're not asking them to
9 endorse that assumption per say.

10 MR. GEESMAN: Thank you very much.

11 That completes my questions, your
12 Honor.

13 ALJ BUSHEY: Thank you, Mr. Geesman.

14 We'll go next to Mr. Peffer.

15 MR. PEFFER: Your Honor, if we could go
16 off the record?

17 ALJ BUSHEY: We'll go off the record.

18 (Off the record.)]

19 ALJ BUSHEY: We'll be back on the
20 record.

21 Mr. Peffer.

22 CROSS-EXAMINATION

23 BY MR. PEFFER:

24 Q Good afternoon, Mr. Bledsoe.

25 A Hello, Mr. Peffer.

26 Q Thank you for being here this
27 afternoon.

28 A My pleasure.

1 Q So I'd like to start at page A-1-15
2 of the decommissioning cost estimate.

3 ALJ BUSHEY: Mr. Peffer, if you could
4 give us a reference to a hearing exhibit
5 because again when we're reading this
6 transcript we'll have a stack of exhibits and
7 it will be easier if you reference a numbered
8 exhibit.

9 MR. PEFFER: Yes, your Honor.

10 Q I believe that's Exhibit 1, and
11 it's Attachment A, I believe, to Exhibit 1,
12 the decommissioning cost estimate document?

13 A This is the page that is identified
14 as page 12 of 37 in the lower right-hand
15 corner?

16 Q Yes, it is.

17 A Okay. I'm there.

18 Q So under general description you
19 state that Energy Solutions maintains
20 proprietary information and cost model based
21 upon a fundamental technical approach
22 established in AIF/NESP 036; is that correct?

23 A Yes.

24 Q And third paragraph down you
25 provide a description of Energy Solutions'
26 cost methodology for calculating certain
27 costs based on UCFs; is that correct?

28 A Yes.

1 Q Can you define UCFs?

2 A Yes. As it states here in the
3 second sentence, UCFs, which stand for Unit
4 Cost Factors, are economic parameters
5 developed to express cost per unit of work
6 output, piece of equipment, or time. And so
7 they are factors that are used as essentially
8 multipliers to perform a certain
9 decommissioning activity.

10 So for example, if I had, if my
11 unit cost factor for the removal of a 12 --
12 of 1 foot of 12-inch diameter pipe was \$10
13 and I needed to remove 100 feet of that
14 12-foot pipe, I would multiply the unit cost
15 factor of \$10 times 100 feet, and the product
16 would be the removal cost for that pipe.

17 Q And Energy Solutions has its own
18 proprietary UCF calculation that's part of
19 its methodology; is that correct?

20 A Yes.

21 Q Were UCFs used to calculate all of
22 the cost categories in the DCE?

23 A To the best of my knowledge, no.

24 Q What other proprietary mechanisms
25 did Energy Solutions use to calculate these
26 cost categories?

27 A As explained in the previous
28 paragraph, in the last sentence it says:

1 In the case of major
2 components individual work
3 sequence activity analyses
4 are performed based on the
5 physical and radiological
6 characteristic of the
7 component and the
8 packaging, transportation,
9 and disposal options
10 available.

11 So that would be one example of a
12 different methodology.

13 Q Are there other methodologies that
14 were used? What I'm trying to get at is how
15 broad is the proprietary methodology and how
16 many different mechanisms were used to
17 calculate the different cost estimates?

18 A I don't really know, not work --
19 not having worked for Energy Solutions and
20 not been directly involved in the development
21 of this estimate.

22 Q Okay. Does Energy Solutions'
23 proprietary methodology include a mechanism
24 for calculating the ISFSI costs?

25 A Can you please explain what you
26 mean by "ISFSI costs"?

27 Q If you'll give me one moment. If
28 you'll turn your attention to the exhibit

1 marked at the top Gilmore 06.

2 A Yes.

3 Q So this is a response to a
4 discovery question. And if you look at the
5 third paragraph of the response, the response
6 says:

7 The DCE identifies the
8 following estimated
9 distributed costs for
10 construction of the ISFSI
11 in several lines identified
12 below. And the total
13 estimated cost is 405
14 million.

15 And then the specific costs are
16 identified in a table on the next page.

17 A Yes, I see that.

18 Q Okay. So going back to my
19 question, does Energy Solutions have a
20 propriety methodology for calculating these
21 costs identified in this chart?

22 A These costs actually pertain to a
23 construction project, not -- or it includes a
24 construction project, not a decommissioning
25 or demolition project per se. So it's my
26 understanding that the development of these
27 costs were influenced by the information that
28 was provided to Energy Solutions from, I'll

1 say Edison was the conduit.

2 Edison had received bids from a
3 number of vendors for the independent spent
4 fuel installation technologies that were
5 being considered at the time. Edison
6 provided those estimated costs for the
7 construc -- the design, the construction of
8 the ISFSI itself and then for the transfer of
9 the fuel from the spent fuel pools into the
10 ISFSI. And so Energy Solutions developed
11 this list of costs that are presented here on
12 this table based on that information.

13 Q You just distinguished between
14 construction projects and decommissioning
15 projects. Can you elaborate on that? What
16 is the difference between the two and how are
17 they reflected in the DCE?

18 A Yes, I can. The decommissioning
19 project as a whole will remove and dispose of
20 all of the structures, improvements,
21 appurtenances, etcetera, that the utilities
22 installed at the plant site, San Onofre site,
23 in order to operate the nuclear power
24 facility.

25 The ISFSI, on other hand, the spent
26 fuel storage installation, is a new
27 construction project that will be used to
28 store the spent fuel that was generated

1 throughout the operating life of the San
2 Onofre facility on site there until it is
3 removed from the site by the Energy
4 Department.

5 Q Are there any other construction
6 projects as opposed to decommissioning
7 projects that were included in the DCE?

8 A Yes.

9 Q Can you identify those for us?

10 A You have the spent fuel island
11 project. You have the cold and dark project,
12 which Mr. Palmisano discussed yesterday, and
13 that would include the installation of a 12
14 kV power line into the plant. There may be
15 some other small construction projects that
16 are required throughout the decommissioning
17 schedule. An example would be the
18 construction or placement of temporary office
19 buildings that would accommodate the
20 decommissioning staff such that the permanent
21 office buildings that are currently being
22 used could be decommissioned.

23 Q Thank you. So the spent fuel
24 island project, were the costs associated
25 with that project calculated by Energy
26 Solutions using their proprietary
27 methodology?

28 A I'm not sure.

1 Q Do you know how those costs were
2 calculated for the DCE?

3 A No. I'm not sure whether they were
4 calculated based on Energy Solutions'
5 estimate for a, I'll say a generic spent fuel
6 pool island system or whether they were based
7 on information provided by Edison that was
8 based on vendor bids.

9 Q Okay. So I'd like to ask the same
10 question for the cold and dark project. Did
11 Energy Solutions calculate the DCE cost
12 estimate for the cold and dark project?

13 A It's my understanding subject to
14 check that Energy Solutions developed the
15 estimates for the cold and dark project and I
16 believe also the spent fuel island project,
17 but I would have to confirm that.

18 Q So why would you have Energy
19 Solutions calculating some construction
20 project costs but SCE calculating others?

21 A I didn't say SCE calculated any of
22 these costs. I said SCE was the conduit
23 through which information from vendors
24 specifically pertaining to the independent
25 spent fuel storage installation costs were
26 communicated to Energy Solutions.

27 Q So let me ask, reword that a little
28 bit. Why was this -- why were these costs,

1 some of these costs calculated by Energy
2 Solutions and some of them provided or
3 offered as a conduit by SCE? What are the
4 reasons for the difference there?

5 A Would have been the timing of the
6 availability of the costs from the vendors.

7 Q I'd like to move on. Can I draw
8 your attention to Assumption 21 of the
9 decommissioning cost estimate, that is
10 Exhibit 1, Attachment 1, page A-1-26 to start
11 out.

12 A That would be the page labeled as
13 page 23 of 20 30 -- sorry -- 23 of 37 of the
14 decommissioning cost estimate?

15 Q Give me one second. You're ahead
16 of me. Yes. So on this page just the
17 heading basis of estimate and key
18 assumptions. So it is your understanding
19 that all of the enumerated items below are
20 assumptions in the decommissioning cost
21 estimate?

22 A Yes.

23 Q Okay. And move on to page 28.
24 Assumption 21 is the costs for the ISFSI
25 construction and transfer of spent fuel from
26 Units 2 and 3 to dry storage were developed
27 by SCE and furnished to Energy Solutions. So
28 is this consistent with your statement

1 regarding SCE acting as a conduit for these
2 costs to Energy Solution?

3 A I believe it is.

4 Q Okay. So where it says that the
5 costs were developed by SCE?

6 A They were provided by SCE.

7 Q Okay. But were they calculated,
8 independently calculated by SCE?

9 MR. MATTHEWS: Objection. Asked and
10 answered.

11 ALJ BUSHEY: Were they calculated?

12 MR. PEFFER: Your Honor.

13 ALJ BUSHEY: Do you mean tabulated, Mr.
14 Peffer?

15 MR. PEFFER: I'm wondering if they were
16 independently calculated through some formula
17 or mechanism or whether this is essentially a
18 pass-through from other sources.

19 ALJ BUSHEY: But the witness has
20 already explained that they were vendor
21 estimates.

22 MR. PEFFER: Okay. I'll move on.

23 ALJ BUSHEY: Okay.

24 MR. PEFFER: Thank you, your Honor.

25 Q So is the 405 million figure the
26 total cost that was provided and passed
27 through to Energy Solutions by SCE, or were
28 there other costs included as well in this

1 pass-through?

2 A The 405 million is the total
3 estimated cost for the ISFSI.

4 Q Okay. And 405 million is the total
5 cost that is assumed under Assumption 21; is
6 that correct?

7 A Yes.

8 Q Thank you. So I'd like to draw
9 your attention to Exhibit Gilmore 07. It's
10 marked at the top of the page. It's an
11 e-mail.

12 A Okay. I'm there.

13 Q And this is an e-mail that was
14 provided in response to Gilmore Data Request
15 Question 70 to SCE.

16 A Yes.

17 Q And I draw your attention to the
18 second page, Item D. This is SCE speaking,
19 responding to Energy Solutions and providing
20 Energy Solutions with a figure of 265 million
21 for the cost to move to storage includes not
22 only the cost of the canisters and modules
23 but other activities such as inspection of
24 fuel, characterization of fuel and trash,
25 development of marine plans, processing of
26 CEAs for storage in the canisters?

27 A Yes, I see that.

28 Q Is that your understanding?

1 A Yes.

2 Q Okay. And is this the e-mail where
3 SoCal Edison provided Energy Solutions with
4 the figure that they use in Assumption 21?

5 A I'm not sure I could say that this
6 is the one and only e-mail or communication
7 between Edison and Energy Solutions. It is
8 an e-mail that contains that type of
9 information.

10 Q Okay. Are these the figures that
11 were provided to Energy Solutions by SCE in
12 the pass-through? So let me add before you
13 answer that, draw your attention to Item F --
14 I'm sorry -- Item E. Last sentence mentions
15 another \$35 million figure for additional
16 security requirements. So these two items
17 combined, are those the -- does that
18 represent the pass-through or the conduit,
19 the amount that was provided to Energy
20 Solutions?

21 A Let me clarify your question for
22 you.

23 Q Absolutely.

24 A Okay. The sentence that you're
25 referring to in Section E, it's the second
26 sentence in that response, I'll read it here.

27 The estimated cost for the
28 design and construction of

1 the ISFSI to include a new
2 hardened security post
3 meeting the anticipated
4 changes to NRC rules for
5 ISFSI security and
6 additional security
7 requirements is bounded by
8 \$35 million based on vendor
9 proposal.

10 Q Okay. Yes. So what I was asking,
11 the total \$300 million figure of these two
12 with a contingency in addition to that, is
13 that the 405 million that was assumed under
14 Assumption 21?

15 A Do you mind if I direct you to my
16 rebuttal testimony?

17 Q Sure.

18 A This would be Exhibit 7, Edison, or
19 SCE-05, page 47. And it's the answer to
20 Question 88.

21 Q Can you read that into the record?

22 A Yes.

23 Q I don't have a copy in front of me.

24 A So let me read it for you here.
25 I'll start with the second full sentence.

26 As provided in the DCE, the
27 total estimated cost for
28 dry cask storage is \$405

1 million. This includes the
2 estimated cost for the
3 design and construction of
4 the independent spent fuel
5 storage installation and a
6 new hardened security post,
7 which is \$35 million, and
8 the estimated cost to move
9 the spent fuel to dry cask
10 storage and associated
11 activities, which is \$265
12 million. The \$405 million
13 estimated cost also
14 includes the estimated cost
15 for aging management -- for
16 the aging management
17 program, \$25 million, and
18 contingency, \$80 million.

19 Q Thank you. So I'd like to draw
20 your attention to question Gilmore -- or
21 Exhibit Gilmore 08.

22 A Okay. I have it here.

23 Q And the question is, please provide
24 an exact description of how SCE reached the
25 \$265 million figure referenced in Section D
26 of the e-mail. And the e-mail reference is
27 the longer e-mail. And in the last paragraph
28 of the response:

1 The figure provided was
2 based on the highest value
3 from the rough order of
4 magnitude proposals that
5 were provided by three
6 vendors and the rough order
7 of magnitude estimate of
8 the SONGS oversight
9 required for the project.

10 So I'd like to start by asking, is
11 the term "rough order of magnitude proposal"
12 a term of art?

13 A I would characterize it as an
14 estimate, the meaning of the term as an
15 estimate. This is what the es -- this is
16 what the dollar amount that was estimated for
17 that component of the ISFSI project.

18 Q So the term "rough order of
19 magnitude" is not a figure or a term that is
20 defined in the industry literature with a
21 specific technical definition. Is that what
22 you're saying?

23 A I'm telling you the meaning was it
24 was an estimate. It was --

25 ALJ BUSHEY: Mr. Peffer, I think it
26 means what it means in English. So why don't
27 we just move on.

28 MR. PEFFER: Okay.

1 Q Can you give me an idea how
2 specific this estimate was? Was there a plus
3 minus involved at all?

4 A I don't know.

5 Q Okay. This is not something you
6 dealt with?

7 ALJ BUSHEY: Mr. Peffer, it's a rough
8 order of magnitude. Okay. It means when it
9 says.

10 MR. PEFFER: Okay. Thank you, your
11 Honor. I'll move on. One moment.

12 Q So if I can go ahead and move
13 forward to Exhibit Gilmore 11.

14 A Okay. I have it here.

15 Q So fourth paragraph down.

16 As stated in Exhibit
17 SCE-01, page 23, lines 11
18 through 16, the SONGS DCE
19 is a conceptual estimate.
20 At the time it was
21 developed no detailed
22 engineering studies for
23 decommissioning work scope
24 had been performed, no
25 procurement activities had
26 commenced, and no contracts
27 had been signed.

28 Did I read that correctly?

1 A Yes.

2 Q As of the date that this
3 application was filed, which I believe was
4 December 10th, 2014, was this statement still
5 accurate?

6 MR. MATTHEWS: Objection, vague.

7 MR. PEFER: I'll withdraw and rephrase
8 it.

9 Q As of the date that this
10 application was filed, had any detailed
11 engineering studies for any of the
12 decommissioning work scopes been performed?

13 A I believe some of the engineering
14 for some of the early decommissioning
15 projects had begun, projects such as the cold
16 and dark project and the spent fuel island
17 project. I'll say they may have begun. I'm
18 not certain. I don't recall. But I will
19 give you that they may have begun.

20 Q As of the date that this
21 application was filed, had any procurement
22 activities commenced?

23 A I don't recall specifically, but to
24 the extent that any had, I think they would
25 have been relatively minor in scope.

26 Q Do you know what date SCE entered
27 into a contract with Holtec for the purchase
28 of the independent spent fuel storage system?

1 A No, I do not.

2 Q Would you accept subject to check
3 that that date was December 5th, 2014?

4 MR. MATTHEWS: Objection on the grounds
5 that this line of questioning is beyond the
6 scope of the proceeding to the extent we're
7 talking about 2014 and beyond activities, not
8 the DCE.

9 ALJ BUSHEY: It appears to be beyond
10 the scope of the witness's testimony. So.

11 MR. PEFFER: Okay. I'll move on.

12 Q So if I can draw your attention to
13 Exhibit Gilmore 12.

14 A Okay.

15 Q And attached to that is the
16 warranty for the Holtec contract, and page
17 79, Section E, subsection I. With respect to
18 the MPC 37 canisters, the warranty is 25
19 years. And then down to subsection 4. With
20 respect to the HI-STORM UMAX system the
21 warranty is ten years.

22 A Yes, I see that.

23 Q Okay. So when SCE was preparing
24 the decommissioning cost estimate and
25 specifically the contingencies associated
26 with the individual ISFSI cost line items,
27 was a warranty taken into consideration?

28 MR. MATTHEWS: Objection. Vague what

1 you mean by consideration.

2 MR. PEFFER: I can rephrase that.

3 ALJ BUSHEY: Mr. Peffer, let's just
4 back up here for a minute. We know the
5 estimate is a rough order of magnitude.

6 MR. PEFFER: Yes, your Honor.

7 ALJ BUSHEY: So are we going to ask
8 about every little component that could
9 possibly go into it? I mean isn't the answer
10 to all that, no, it's just a rough order of
11 magnitude?

12 MR. PEFFER: I'm asking specifically
13 about the contingency amounts that were
14 applied to the individual line items from the
15 decommissioning, from the IFSSI, IFSFI, and
16 whether or not any of those was reduced in
17 contemplation of a warranty being available.

18 ALJ BUSHEY: That seems a level of
19 detail that would be inconsistent with the
20 rough order of magnitude estimate, but if the
21 witness knows, the witness can answer.

22 THE WITNESS: No. I don't know. My
23 understanding is that the estimated costs for
24 the ISFSI include a 25 percent contingency.

25 MR. PEFFER: Q Would you need the same
26 amount of contingency for, for instance, a
27 10-year period covered by a warranty if that
28 warranty was in place and gave full coverage

1 for potential contingencies?

2 MR. MATTHEWS: Objection. Calls for
3 speculation, incomplete hypothetical.

4 ALJ BUSHEY: And this witness isn't --
5 did you negotiate the Holtec contract?

6 THE WITNESS: No.

7 ALJ BUSHEY: The witness doesn't know.

8 MR. PEFFER: What I'm getting at is
9 whether the DCE includes contemplation of a
10 warranty like this.

11 ALJ BUSHEY: He just said he doesn't
12 know.

13 MR. PEFFER: Okay.

14 ALJ BUSHEY: What went into it. So.

15 MR. PEFFER: Okay. I think -- let me
16 just check. Okay. I think that concludes my
17 questions, your Honor. Thank you.

18 ALJ BUSHEY: Thank you.

19 THE WITNESS: You're welcome.

20 ALJ BUSHEY: Who is next? Mr. Lutz.
21 And I hope Mr. Freedman returns. Oh, there
22 he is.

23 MR. FREEDMAN: I can go after Mr. Lutz,
24 your Honor.

25 ALJ BUSHEY: Okay. You can go.

26 CROSS-EXAMINATION

27 BY MR. LUTZ:

28 Q Okay. Hello. My name is Ray Lutz

1 with Citizens Oversight. Good afternoon, Mr.
2 Bledsoe.

3 A Good afternoon, Mr. Lutz.

4 Q Nice to meet you.

5 A My pleasure.

6 Q Okay. Now, who do you report to at
7 SCE?

8 A I report to Jose L. Perez.

9 Q Perez. Okay. You're familiar with
10 the data request package that Citizens
11 Oversight submitted to SCE and the questions
12 that you answered?

13 A Yes.

14 Q Would you like a copy of it?

15 A Yes, please. Thank you.

16 Q Okay. In this package you prepared
17 according to what's stated here Questions No
18 1, 3, 4, 5, 7, 8, 9, 10, 16, 17, 18, 19, 20,
19 21, 23, 32, and 33.]

20 And with consultation from SCE
21 attorneys, we agreed that Mr. Perez would not
22 appear today with my agreement and that you
23 would be handling questions that he answered,
24 Questions 9, 12, 13, 14, 15, 24, 25, 26, 27,
25 and 28.

26 Do you agree with the -- that
27 agreement that I just mentioned that you
28 would be able to answer the questions on

1 those?

2 A I'll take your word for it.

3 MR. LUTZ: Okay. Well, I would like
4 the attorneys to confirm that that's actually
5 what we agreed to in our conference, that
6 Mr. Perez would not show up today.

7 ALJ BUSHEY: Okay. Mr. Lutz, why don't
8 you ask the questions, and if they object,
9 then we'll deal with the agreement.

10 MR. LUTZ: Okay. Well they already
11 have objected to this. I've tried to get it
12 in -- put it in evidence, and they've
13 objected. So most of these questions I'm
14 asking right now are to circumvent their
15 objection. We can save a lot of time if SCE
16 would allow this to go in, but we'll proceed.

17 ALJ BUSHEY: This being what? When you
18 say this --

19 MR. LUTZ: This -- this package from
20 Citizens Oversight, the data request package
21 identified as COPS-010 is what we're
22 referring to.

23 ALJ BUSHEY: We'll be off the record.

24 (Off the record.)

25 ALJ BUSHEY: We're back on the record.

26 While we were off the record, we
27 discussed an exhibit that had been labeled
28 yesterday as -- Mr. Lutz what was label?

1 MR. LUTZ: COPS-010.

2 ALJ BUSHEY: COPS-010. It contained a
3 number of data responses from Edison to the
4 Citizens Oversight group. The admission of
5 this into evidence was objected to
6 strenuously by Southern California Edison.
7 That objection is overruled.

8 It will be admitted into evidence --
9 marked as Exhibit 15. Is that correct? Next
10 in order is 15? And admitted into evidence.

11 (Exhibit No. 15 was marked for
12 identification.)

13 (Exhibit No. 15 was received into
14 evidence.)

15 MR. MATTHEWS: I think that's right.

16 ALJ BUSHEY: Mr. Lutz?

17 MR. LUTZ: Okay. Thank you. Then we
18 can save a lot of time here.

19 ALJ BUSHEY: That's what I'm counting
20 on.

21 MR. LUTZ: Trust me.

22 Q First of all, in Question 4 of this
23 document, you say that conflicts of
24 interest --

25 ALJ BUSHEY: Wait, wait, Mr. Lutz. Our
26 deal was I would admit it into evidence and
27 you wouldn't have to read it all.

28 MR. LUTZ: I'm not going to read it

1 all. I have a couple of questions on this
2 document, and then I'm going to turnover to
3 the primary testimony.

4 ALJ BUSHEY: You're going to focus on
5 facts not now in the record. This is now in
6 the record. A fact not now in the record
7 that you need to get in the record.

8 MR. LUTZ: I'm going to ask Mr. Bledsoe
9 if it's okay are there any conflicts of
10 interest that he knows of in this that --

11 Q There's a reporting method. Have
12 there been any conflicts of interests
13 reported? Do you know of any conflicts of
14 interest?

15 A I do not know of any conflicts of
16 interest.

17 Q Thank you.

18 Next, I'd like to ask a question
19 regarding -- if you can turn into this at
20 Question 14? You responded with a fairly
21 lengthy response, which was an evaluation of
22 various options with regard to where the site
23 -- the ISFSI onsite or other sites, such as
24 Palo Verde or other nuclear plants. And I
25 just have one question in the middle of this.

26 On page 10 of that subsection, the
27 attachment, it starts with a paragraph
28 starting with, "Furthermore." Do you see

1 that?

2 A We're on page 10 of the May 2015
3 Edison document?

4 Q Right.

5 A Paragraph that begins with,
6 "Furthermore"?

7 Q Yes.

8 A Yes, I see this.

9 Q Okay. And this was regarding the
10 -- let me just summarize. It's the Western
11 Governor's Association policy regarding a
12 centralized spent fuel storage facility. And
13 my question is their policy says no
14 centralized spent fuel storage facility would
15 be allowed without the Governor's written
16 consent.

17 To your knowledge, does that
18 include the -- a non-centralized one that
19 would just be in California, to your
20 knowledge?

21 MR. MATTHEWS: Objection, lacks
22 foundation. The question pertains to an
23 attachment to a data request. It hasn't been
24 established that this witness has any
25 knowledge regarding this particular
26 attachment.

27 ALJ BUSHEY: Right. It's a quotation
28 from something from the Western Governor's

1 Association, which probably speaks for
2 itself. So Mr. Lutz --

3 MR. LUTZ: All right. Well, let me
4 back up just enough to make sure.

5 Q Do you -- do you have anything that
6 you would like to change in your answers that
7 you think is incorrect in this document?

8 MR. MATTHEWS: Objection.

9 ALJ BUSHEY: The witness hasn't had
10 enough time to review this and go through it
11 page by page.

12 MR. LUTZ: Well, it was his responses
13 originally that he originally wrote, the ones
14 that we've identified. Can we give more
15 time? Because I'd like to know that SCE's
16 going to stand by this, that they're not
17 going to say, "Well, you didn't ask us the
18 question whether or not we thought it was
19 still correct." And later they can say,
20 "Well, you didn't ask that question, so we
21 didn't think it's correct." I want them to
22 say that yes, this is correct.

23 ALJ BUSHEY: These documents were all
24 dated. And as of the date they were made, is
25 the witness willing to testify that as of the
26 date on the document they were true and
27 accurate?

28 THE WITNESS: Yes.

1 MR. LUTZ: Okay. That's good.

2 ALJ BUSHEY: Good.

3 Further cross examination, Mr. Lutz?

4 MR. LUTZ: Yes. Let me get onto the --
5 to their primary testimony here. We're not
6 going to talk about this document anymore.

7 Q And SCE-01, page 23, lines 11
8 through 16.

9 A That's Exhibit 01?

10 Q I believe it is, yes.

11 A And what was the reference again,
12 please?

13 Q The reference is page 23, lines 11
14 through 16.

15 A Okay. I have that here.

16 Q Okay. I just want to make sure
17 that we notice on line 13, this is regarding
18 the assumptions for the timing and removal of
19 the spent fuel that you say that the project
20 costs remain unknowable at this time.

21 A Yes.

22 Q Okay. Now, then if we turn to page
23 25, lines 7 through 9 --

24 A Okay.

25 Q -- of the same document. Let me
26 read this.

27 SCE recognizes, however,
28 that due to the DOE's,

1 that's Department of
2 Energy's, lack of progress
3 in siting and construction
4 of its repository, this
5 schedule is likely to be
6 extended in future updates
7 to the SONGS 2 and 3
8 decommissioning cost
9 estimate.

10 Did I read that correctly?

11 A Yes.

12 Q The term likely usually means
13 greater than a 50 percent chance. Is that
14 what is meant here?

15 A I can agree with that.

16 Q Okay. So it's both unknowable and
17 also you are saying that you know at least
18 that it's going to be most likely that it's
19 going to happen later than what they said.
20 Is that another way to say it?

21 A Yes.

22 Q If it is known that it's likely to
23 be later, is it not prudent to estimate a
24 later date for project cost purposes rather
25 than choose an overly optimistic that is less
26 than a 50 percent chance estimate?

27 MR. MATTHEWS: Objection,
28 argumentative.

1 ALJ BUSHEY: Sustained.

2 Rephrase, Mr. Lutz.

3 MR. LUTZ: Okay. Let's see.

4 Q Is it prudent to use an estimate
5 that has less than a 50 percent chance of
6 being correct?

7 MR. MATTHEWS: Objection --

8 THE WITNESS: That's a very broad
9 question.

10 MR. LUTZ: Okay. Well, I'm not sure
11 how to make it not argumentative, but broad
12 -- in this case we're talking about the
13 siting of the repository. You say that it's
14 likely to be extended.

15 ALJ BUSHEY: Mr. Lutz?

16 MR. LUTZ: And my question is --

17 ALJ BUSHEY: These questions are -- the
18 facts that you need are already in the
19 record. If you believe the witness has made
20 unwise assumptions, you can make that
21 argument in your brief.

22 MR. LUTZ: Okay. Well -- well, let me
23 ask this.

24 Q Is there some other reason that SCE
25 is choosing to use this optimistic date
26 rather than an estimate that lies more in
27 concert with expectation?

28 MR. MATTHEWS: Objection,

1 argumentative, asked and answered. We've
2 been over this issue.

3 ALJ BUSHEY: Actually, that was a good
4 question. That was a good question, and the
5 witness is probably going have a very short
6 answer to it. I'll have to overrule you on
7 that one.

8 Answer the question.

9 MR. LUTZ: Thank you.

10 THE WITNESS: We believe the assumption
11 was a reasonable assumption at the time it
12 was made. We believe that if there is -- if
13 time continues to progress and there is no
14 new information from the Department of
15 Energy, that it is likely that we will need
16 to change that assumption.

17 MR. LUTZ: Q Okay. So then based on
18 the question that I asked you, you don't know
19 of any other reason why SCE is choosing this
20 date other than -- the question is no -- the
21 answer is no then to my question? Is there
22 some other reason SCE is choosing to use this
23 optimistic date rather than an estimate that
24 lies more in concert with expectation? Is
25 there?

26 A Edison never characterized it as an
27 optimistic assumption. It characterized it
28 as a reasonable assumption. And Edison has

1 benchmarked decommissioning cost estimates
2 throughout the industry, and the use of that
3 same assumption is prevalent or at least
4 commonplace through out the nuclear industry
5 in the United States.

6 ALJ BUSHEY: Right. But, Mr. Bledsoe,
7 it's a simple question. Does Edison have a
8 secret reason for doing this other than what
9 you've articulated in your testimony?

10 THE WITNESS: No, your Honor.

11 ALJ BUSHEY: I thought that was the
12 answer.

13 MR. LUTZ: Okay. Very good.

14 Okay. This question was answered.

15 Q Now, on -- in the same document on
16 page 27, lines 19 to 20 --

17 A Yes.

18 Q -- it mentions that the fuel
19 assemblies -- the date for removing them is
20 2019 instead of the original 2023.

21 Can you explain the rationale for
22 this assumption that it can be removed faster
23 than originally planned?

24 A Yes. In the ABZ studies that were
25 developed beginning in 2001 for SONGS 2 and
26 3, there was an assumption that the spent
27 nuclear fuel would have to remain in the
28 spent fuel pools for up to 12 years before it

1 could be transferred to dry storage. Since
2 SONGS 2 and 3 did not operate after January
3 of 2012, you add 12 years to that, that gets
4 you to December 23, 2023, or January 2024.
5 So that's the basis for the December 2023
6 date.

7 After San Onofre was shuttered in
8 June of 2013, the cooling period requirement
9 for the spent fuel that was in the pools or
10 discharged into the pools from the reactors
11 was reevaluated, and it was determined that
12 the fuel -- that only a seven-year cooling
13 period would be required. And so beginning
14 -- beginning in January of 2012 and count --
15 and adding seven years, that gets us to -- or
16 say beginning in 2012 and adding seven years
17 gets us to 2019.

18 Q Okay. So this change was based on
19 an actual measurements of how fast they're
20 cooling then; is that right?

21 A It was based on -- I'm not a
22 nuclear physicist, but it was based on
23 calculations by subject matter experts.

24 Q Okay. Good.

25 Does the -- do you know if the
26 irradiated fuel management plan reflects the
27 same schedule change?

28 A Subject to check -- well, let's see

1 here. I'm on page 2 of 12 in the irradiated
2 fuel management plan, which would be exhibit
3 -- Appendix A-3-4. And in the last paragraph
4 on that page, it states that "SONGS expects
5 to complete the transfer in 2019." That's
6 referring to the transfer of the fuel from
7 the Units 2 and 3 spent fuel pools to the
8 ISFSI.

9 Q Okay. Thank you.

10 All right. Next, this will be my
11 last point. SCE-01, page 33, lines 15
12 through 22.

13 A Okay.

14 Q All right. This -- this paragraph
15 talks about the rip and ship process versus
16 the scabble then ship process, which
17 increases the cost by \$92 million. Do you
18 agree with that? Are you familiar with what
19 this is talking about?

20 A Yes, but it mischaracterizes what
21 is stated here.

22 Q Okay. How would you characterize
23 this section?

24 A Okay. This -- this paragraph is
25 provided within the context of a larger
26 discussion regarding waste disposal costs.
27 And specifically, the difference between the
28 estimated waste disposal costs in the

1 July 2013 ABZ Study and the existing
2 EnergySolutions decommissioning cost
3 estimate.

4 And the point here is that given
5 the estimating methodology that was used by
6 the EnergySolutions -- used in the
7 development of the EnergySolutions
8 decommissioning cost estimate, which assumed
9 the rip and ship methodology, so-called, that
10 it would increase the burial -- the waste
11 disposal or burial cost by \$92 million. What
12 isn't said here but what is said elsewhere is
13 that the labor costs required to perform the
14 removal of the radio active waste would be
15 reduced.

16 Q Okay. But to recap then, what this
17 is saying is that originally, they were going
18 to scabble and ship to a low level
19 radioactive waste disposal facility only the
20 radioactively active portion and the
21 remainder would be disposed as clean material
22 versus now you're just going to rip it all
23 down and ship mixed material to a low level
24 radioactive waste facility? That's the
25 difference in the proposal, isn't it?

26 A Let me explain the difference.

27 Q Okay.

28 A ABZ assumed the scabbling approach,

1 which is a labor intensive approach to
2 demolition and disposal of the waste. It
3 requires more labor, but you end up shipping
4 a smaller volume of the material to a
5 licensed disposal facility. That was their
6 methodology.

7 EnergySolutions assumed the rip and
8 ship methodology, which was that you just go
9 in there -- because the -- of the low --
10 comparatively low disposal rate at the waste
11 facility that it would be more economical to
12 -- or it would be a viable alternative to
13 just demolish the buildings or the structures
14 in their entirety or the sections of the
15 structures that contained radioactive
16 materials and then to just ship them all to
17 the waste facility. And again, there's much
18 less labor cost involved with that.

19 Q Okay. So thank you. Let me just
20 continue to build a foundation here.

21 If we look at SCE-01, page A-1-27
22 and Section 12. Do you see that?

23 A Yes.

24 Q And this section states that all
25 Class A waste is assumed to be disposed of at
26 EnergySolutions' facility in Clive, Utah. My
27 question is does this not represent a
28 conflict of interest since the developer of

1 the -- of the DCE also runs the low level
2 waste facility?

3 A No, it does not.

4 MR. MATTHEWS: Objection.

5 THE WITNESS: Let me explain why --
6 sorry.

7 MR. MATTHEWS: Objection,
8 argumentative.

9 ALJ BUSHEY: No, I have to overrule
10 that. It's not argumentative. It's a
11 factual question. Is this a conflict of
12 interest? That's a factual question.

13 Does the witness have an opinion?

14 THE WITNESS: Yes.

15 ALJ BUSHEY: Please answer.

16 THE WITNESS: Your Honor, it is not a
17 conflict of interest because they're two
18 different estimating methodologies to
19 accomplish the same activity. Edison is not
20 bound to perform the activity based on either
21 approach. These are -- we're just -- they're
22 just trying to get to what the cost will be.

23 And so from that -- and Edison has
24 -- there are few alternative disposal
25 facilities for these types of material, and
26 we are under contract to ship this energy
27 waste to the EnergySolutions facility. But
28 we are not under any obligation to ship

1 specific quantities of the material. So we
2 can determine how best -- we will determine
3 once we get into the project how best to
4 dismantle the buildings, whether to scabble
5 or to rip and ship or possibly some other
6 methodology and do it in the most cost
7 effective manner that we can.

8 ALJ BUSHEY: Okay. Mr. Lutz, you've
9 gotten your answer.

10 MR. LUTZ: Q Okay. So if the
11 scabbling approach is performed, the original
12 alternative, we would get a smaller amount of
13 radio active waste and a lot -- a larger
14 amount of clean waste that could be put just
15 about anywhere and maybe even reused for
16 roadbeds or other kind of things and not have
17 to be put into waste facility.

18 Have -- have you -- does the DCE
19 look into the value of the material that is
20 not -- not considered radioactive waste? It
21 can be used for other things. Does it look
22 into the value of that?

23 A That would certainly -- that would
24 be a consideration. I don't know that it
25 would be the ultimate consideration. You
26 know, we want to -- we want to do what's best
27 ultimately more our customers. They are our
28 constituents. We are the stewards of their

1 money. If there's a way we can accomplish
2 that and benefit society or provide -- in a
3 way that has a greater benefit to society, we
4 would certainly entertain that.

5 Q But the answer to my question is
6 that -- that the DCE does not include
7 evaluation of the clean waste material?

8 A The DCE does not. But remember,
9 Edison is not bound to do things exactly the
10 way they were estimated in the DCE.

11 Q How do we know what Edison is
12 planning to do?

13 ALJ BUSHEY: Mr. Lutz, I think your
14 time is up.

15 MR. LUTZ: Well, if it's not in the
16 DCE, I don't know where it is. Doesn't that
17 also describe what Edison is planning to do?

18 ALJ BUSHEY: Mr. Lutz, we have their
19 testimony. We have a robust record. Is
20 there some fact that you want -- that you
21 need in the record for your brief that's not
22 there now?

23 MR. LUTZ: Well, your Honor, I -- I
24 think this is a very important point. The
25 witness just said that what's in the DCE does
26 not define what the utility plans to do.

27 ALJ BUSHEY: That's right, Mr. Lutz.
28 That's why it's called a decommissioning cost

1 estimate. It's not called a decommissioning
2 plan or anything else, but a cost estimate.
3 That's all it is.

4 Do you have any further questions?

5 MR. LUTZ: I -- are you saying I cannot
6 ask this question regarding -- okay. No, I
7 withdraw any further questions.

8 ALJ BUSHEY: All right. Thank you,
9 Mr. Lutz.

10 We'll take our afternoon break until
11 3:15. When we return, we will turn to
12 Mr. Freedman.

13 We'll be off the record.

14 (Off the record.)]

15 ALJ BUSHEY: We'll be back on the
16 record.

17 While we were off the record we
18 identified exhibits. Exhibit 16 is a TURN
19 cross-examination exhibit. It's a data
20 response, Question 15 C from TURN.

21 (Exhibit No. 16 was marked for
22 identification.)

23 ALJ BUSHEY: Exhibit 17 is excerpts
24 from the SONGS decommissioning agreement
25 among Southern California Edison Company, San
26 Diego Gas and Electric Company, City of
27 Anaheim, and the City of Riverside.

28 (Exhibit No. 17 was marked for
identification.)

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ALJ BUSHEY: Mr. Freedman.

MR. FREEDMAN: Thank you.

CROSS-EXAMINATION

BY MR. FREEDMAN:

Q Good afternoon, Mr. Bledsoe.

A Hello, Mr. Freedman.

Q I'd like to ask you to turn to your direct testimony, and I'm specifically interested in an appendix to the decommissioning cost estimate, and it would appear at page A-1-84. This is the cash flow tables.

A Yes. I'm there.

Q Okay. Great. So A-1-84 shows the expected cash flows for SONGS Unit 2; is that right?

A Yes.

Q And if I were to look at the year-by-year spending that's projected, am I correct in understanding that Edison projects no additional money would be spent on license termination after 2032?

A Yes, that's correct.

Q And if I look at the amount forecasted for spent fuel costs beginning in 2032 and going for the next 16 or so years, the numbers are almost identical. What does

1 that stream of money represent?

2 A Okay. The stream of money from
3 what year were you starting?

4 Q 2032.

5 A 2032. Okay. This -- so in this
6 case it's \$7,214,000 in spent fuel for the
7 year 2022. And then continuing on, it's the
8 same value for that year. And then in 2036
9 it increases to 7,665,000; is that correct,
10 Matt? Is that correct? Okay. That
11 represents the SONGS 2 share of the spent
12 fuel storage costs at the plant at the ISFSI.

13 Q So does that mean that the
14 assumption is of that date that the rest of
15 the site will have been cleaned up and the
16 remaining tasks or obligations involved the
17 ISFSI itself?

18 A As pertaining to license
19 termination, yes. That's the assumption
20 under the current -- the schedule that's
21 reflected in this -- or that is the basis for
22 this decommissioning cost estimate.

23 Q And why are no costs projected for
24 site restoration between 2032 and 2050?

25 A Because the only activities that
26 would be ongoing at the plant during that
27 period, -- I shouldn't say the plant -- at
28 the ISFSI during that period would be the

1 transfer of fuel from the ISFSI to the
2 Department of Energy. And there would be no
3 site restoration-related activities
4 anticipated under this, the schedule upon
5 which these cash flows are based.

6 Q And what site restoration
7 activities are assumed to be occurring
8 between 2050 and 2052?

9 A That would include the final status
10 survey for the site -- let me start over.
11 That would include the -- let me just take a
12 look at something before I answer that.
13 Actually, we can -- there's a list of those,
14 those activities here in Table 1 of the
15 decommissioning cost estimate. If you turn
16 to page A-1-81, this period is defined as SR
17 Period 6. And it's described as final site
18 restoration and lease termination. And this
19 period is scheduled to occur between May of
20 2050 and December of 2051. So all of the
21 activities here would be included in the
22 costs that would be incurred during that
23 period.

24 Q And if I were to compare the costs
25 for that site restoration period between
26 Units 2 and Units 3. So we've been looking
27 at page A-1-84 and A-1-85, but the following
28 two pages show those same expenditures for

1 Unit 3, don't they?

2 A They show similar levels of
3 expenditures, not necessarily identical.

4 Q Why are the -- why are the
5 allocation of costs between Unit 2 and 3 not
6 identical for this site restoration function?

7 A Traditionally we have included
8 slightly higher costs for unit -- in the Unit
9 3. Let me just check that quick. You know,
10 I'm going to have to get back to you on that,
11 Matt. I can get that information for you,
12 but I don't have it available right now.

13 Q Okay. Well, let me ask a different
14 version of that question.

15 A Okay.

16 Q Is there some sort of requirement
17 that costs be divided evenly between these
18 two units for purposes of site restoration,
19 or is it up to Edison's discretion?

20 A Well, where I was going to go was
21 that in the prior cost estimates we had
22 assumed that the costs for the common
23 facilities were included in the Unit 3
24 estimate. But there aren't many common
25 facilities associated with the ISFSI. So I
26 would really need to refresh my understanding
27 with Energy Solutions regarding why the costs
28 were allocated the way they are here.

1 Q I guess my question would be higher
2 level than that.

3 A Okay.

4 Q Do you know of any specific
5 requirement governing how Edison does this
6 allocation between the units?

7 A I think in this particular case we
8 probably relied on Energy Solutions doing,
9 performing the allocations, this allocation.
10 I'm not really -- I don't know the reason
11 right this minute.

12 Q So you don't know if there's any
13 NRC requirement or PUC requirement that's
14 relevant?

15 A No, I don't know, at least not now.

16 Q Thank you. Were you here for the
17 testimony of Mr. Palmisano yesterday?

18 A Yes.

19 Q And do you recall the questions
20 that I asked of him regarding the monthly
21 reports that he receives on the status of
22 decommissioning at San Onofre?

23 A Yes.

24 Q And do you receive these reports?

25 A Yes.

26 Q Are you involved in producing them?

27 A No.

28 Q And how often do you receive these

1 internal reports regarding status and updates
2 on schedule?

3 A I receive the monthly reports on a
4 monthly basis.

5 Q Am I correct that there are two
6 such reports that Mr. Palmisano mentioned?

7 A I recall that he mentioned two
8 different reports. I only receive one of the
9 reports.

10 Q Turning to the cost study,
11 specifically looking at, for example, if I
12 were to look at page A-1-57, these are the
13 cost tables for distributed activities in
14 Period 2?

15 A Yes, I see that.

16 Q If I were to seek additional
17 information about any of these line item
18 activities to understand what's included in
19 the scope of work for each activity, where
20 would I find that?

21 MR. MATTHEWS: What time period?

22 MR. FREEDMAN: Any of the line items
23 here on page A-1-57.

24 MR. MATTHEWS: No. I was seeking
25 clarification on whether you wanted
26 information now or in a different proceeding.

27 MR. FREEDMAN: Q I'm just wondering
28 where it exists and whether it's been

1 presented as part of the application.

2 A So are you asking with regard to
3 what is included in the scope of each of
4 these line items or what the current status
5 of each of these line items is?

6 Q Well, I'm asking where I would be
7 able to find information describing the scope
8 of work for each of these line items. I'm
9 not asking you to tell me the scope of work.
10 I'm trying to find out where that information
11 exists.

12 A Well, you're correct that it --
13 that that I'll say higher level of
14 granularity does not exist in the
15 decommissioning cost estimate.

16 Q Would the details regarding how
17 those numbers were calculated and the
18 assumptions that went into that, would that
19 be part of the Energy Solutions model?

20 A Yes.

21 Q And that's a proprietary model?

22 A Yes.

23 Q And does Edison intend to present
24 that additional detail at the time that an
25 activity is submitted for a reasonableness
26 review?

27 A Edison would describe each --
28 Edison would provide a more robust

1 description of the activity that was included
2 in each completed line item here, a more
3 robust description than the one-line
4 descriptions that are provide here, yes.

5 So for example, you identified a
6 couple of activities that were stated in the
7 testimony yesterday that were not identified
8 in the line items per se. So we would --
9 when that activity was completed, as part of
10 whichever one of these line items it is a
11 component of, we would identify that in our
12 reasonableness showing.

13 Q I guess my question is a little bit
14 different, and I appreciate the answer.
15 It's, looking at these line items today, it's
16 not completely obvious, is it, the exact
17 scope of work that is contained within a line
18 item since Edison has not presented that
19 information; am I right?

20 A Well, Edison had to -- I mean
21 Energy Solutions summarized the entire known
22 scope of the decommissioning project at this
23 level of detail in the cost estimate. There
24 are, as you can imagine, tens of thousands of
25 activities that go into the decommissioning
26 project.

27 And so the -- this was the level of
28 detail that was provided to Edison by Energy

1 Solutions. And Edison has worked with Energy
2 Solutions to I'll say drill down deeper. And
3 we have developed a project control system
4 that identifies a higher level of granularity
5 for many of these line items that all are
6 associated back up to this level. And the
7 completion of each of those subcomponents of
8 the activity would have -- of all of them
9 would have to be completed in order for us to
10 declare victory on each particular line item
11 and then include it in the following year's
12 reasonableness review.

13 Q But does Edison reserve the right
14 to change the scope of work for these line
15 items as conditions on the ground evolve?

16 A I think necessarily we would, you
17 know -- we will do our best -- let me stop.
18 We want to try to be as transparent as
19 possible in terms of matching the costs for
20 the activities that were performed to the
21 costs that are delineated here in the
22 estimate. But like you said, conditions
23 sometimes change on the ground, and we have
24 to be adaptive or responsive to those
25 changes.

26 Q And at what point would Edison
27 inform the Commission that the scope of work
28 for one of these items had changed?

1 A If it was -- if we identified the
2 change in the process or prior to the
3 submittal of the next update to the
4 decommissioning cost estimate, then it would
5 be included in the cost estimate. If it was
6 something that we were -- that was work that
7 was in process, then we would just complete
8 the activity and we would identify that
9 change in the discuss -- in the
10 reasonableness review for that activity.

11 Q If the change of the scope of work
12 occurs in an updated decommissioning cost
13 estimate, how would the Commission know this
14 fact given that the scope of work is not
15 provided as part of the decommissioning cost
16 estimate for each item?

17 A The scope of work is -- it's
18 summarized in the form of a dollar estimate
19 in the DCE. Okay. And so if a material
20 change to the dollar estimate for that
21 activity would be necessary, we would have to
22 justify that change to the Commission.

23 Q So any time there's a dollar change
24 in an updated estimate, Edison intends to
25 provide an explanation with respect to
26 whether that's due to a change in the scope
27 of work?

28 A You know, in Reg Guide 1.185 there

1 are thresholds provided for the materiality
2 of changes that would be required to be
3 reported to the NRC. And so, you know, we
4 want to be as transparent as reasonably
5 possible. If the estimate goes up by a
6 dollar, you know, on a million dollar
7 activity, is that material? Well, that's for
8 someone else to decide.

9 But you know, we went -- if we have
10 to reestimate or when we update the estimates
11 for each of the activities if there are
12 material changes in the work scopes or the
13 costs or anything else, like I said, that's
14 material, we would point that out in our
15 submittal.

16 Q Thank you, Mr. Bledsoe. I'd like
17 you to turn to what's been marked as TURN
18 cross-examination Exhibit 17. And this
19 exhibit contains excerpts from the SONGS
20 decommissioning agreement among the co-owners
21 of the plants dated April 23rd, 2015. Are
22 you familiar with this agreement?

23 A Yes.

24 Q I'd like to ask you to turn to
25 what's shown as page 39.

26 A Okay.

27 Q And again, I did not include the
28 entire agreement but would be happy to do so

1 if Edison wished. But I'm interested in
2 Section 8.2.7, which references an annually
3 adjusted decommissioning cost estimate?

4 A Yes.

5 Q Are you familiar with this
6 provision?

7 A I'm familiar with this provision,
8 yes.

9 Q And would you be involved in
10 preparing an annually adjusted
11 decommissioning cost estimate?

12 A At this point I am not certain
13 whether I would be directly involved, but I
14 would definitely be aware of it, and I could
15 potentially be involved in it.

16 Q So this is a separate estimate that
17 is provided solely for the co-owners to
18 review on an annual basis?

19 A It's a requirement under the
20 decommissioning agreement that Edison provide
21 an annually adjusted decommissioning cost
22 estimate to the co-participants, yes.

23 Q And does this -- would this
24 estimate include adjustments for projected
25 work scope changes?

26 A We haven't developed the -- a draft
27 of this document yet. And so I don't know
28 exactly what it's going to look like, but I

1 believe obviously our -- we definitely want
2 to be transparent with our co-participants.
3 And so to the extent that such information is
4 known to us, I believe we would provide it,
5 yes.

6 Q And will the -- will this estimate
7 identify expected costs by major
8 decommissioning work activity?

9 A Yes. To the best of my knowledge.

10 Q And how will this annually adjusted
11 estimate differ from what Edison presents to
12 the Commission in the regular NDCTP dockets?

13 A It's my understanding that this
14 annually adjusted decommissioning cost
15 estimate would be provided in the interim
16 years between the triennial updates to the
17 decommissioning cost estimate.

18 Q Provided to whom?

19 A To the co-participants.

20 Q And what about to the Commission,
21 would the Commission get a copy of this as
22 part of a regular reporting requirement by
23 Edison?

24 A I don't know whether that's been
25 determined or not.

26 Q And would this be reconciled with
27 the decommissioning cost estimate that had
28 been most recently approved by the

1 Commission?

2 A Yes. That would be the basis or
3 the foundation for it.

4 Q Okay. Thank you. I'd like to ask
5 you to look at what's been marked as TURN
6 cross-examination Exhibit 16. And this is
7 Edison responses to question, TURN Data
8 Request Set 1, Questions 15 C and TURN Data
9 Request Set 3, Question 1. I understand you
10 are not the sponsoring respondent. That is
11 Mr. Matthews, Edison's attorney. But I have
12 also been told by Mr. Matthews you might be
13 able to answer a few very high level
14 questions about this; is that right?

15 A I'll do the best I can.

16 Q Understood. So these responses
17 relate to damage claims by Edison against the
18 United States Government for delays in the
19 removal of spent nuclear fuel. Is it your
20 understanding that Edison has pending claims
21 against the United States Government?

22 A Yes.

23 Q And looking at the first data
24 response here, am I correct in understanding
25 that the current pending complaint covers
26 eight years of damages that range from 2006
27 through 2013?

28 A Yes. That's what it states here.

1 Q And if I look at the next page, the
2 response to Data Request Set 3, Question 1,
3 am I correct in understanding that this
4 six-year complaint, the complaint covering
5 six years is seeking \$181,943,000?

6 A Let me just get something straight
7 in my own mind here. Back on the previous
8 page, the initial claim was, began in January
9 of 2006, right? And the -- it was extended
10 to include the period up through December
11 21st, or 31st, 2013; is that right?

12 Q You're the expert.

13 A Okay. Well, I'm counting 6, 7, 8,
14 9, 10, 11, 12, 13. That was eight years,
15 right? Okay. You just asked me if the
16 claim -- if the damage claim for six years
17 was 108 -- \$181,943,000. So I don't
18 understand the difference between the eight
19 years in the claim in Question 15 C and the
20 six years that you refer to in the response
21 to Question 1.

22 Q I'm sorry, Mr. Bledsoe. I intended
23 to say eight years.

24 A Okay. Thank you.

25 Q So my question was whether the \$181
26 million figure refers to all eight years?

27 A I will have to rely on what's
28 stated here in the response, but I don't have

1 personal knowledge of this.

2 Q Okay. Well, let me ask a related
3 question about the decommissioning cost
4 estimate then. Does the spent nuclear fuel
5 cost estimate portion of the current DCE
6 include some amount of expenditures
7 attributable to the Department of Energy's
8 continuing delays in the pickup of spent
9 nuclear fuel?

10 A Yes.

11 Q And I understand in response to
12 questions from Mr. Geesman and in rebuttal
13 testimony you identify the costs associated
14 with additional delays beyond those currently
15 assumed in the DCE; is that right?

16 A Additional delays beyond those
17 currently assumed in the DCE?

18 Q Yes. You have an estimate in your
19 rebuttal testimony of additional costs. I
20 believe that you said something about \$149
21 million if there's an additional 10-year
22 delay?

23 A Well, that was a hypothetical.
24 That's not assumed in the DCE.

25 Q So what is assumed in the DCE? Do
26 you have a sense of the order of magnitude of
27 the costs in the current DCE attributable to
28 DOE's delay in the pickup of spent fuel?

1 A What type of costs are you
2 referring to?

3 Q Any costs that Edison would claim
4 in litigation like the ones that are part of
5 the current claim and would be also the basis
6 of your \$149 million estimate in response to
7 Mr. Geesman?

8 A I don't have personal knowledge
9 regarding the types of costs that are
10 included in our claims against the DCE. I
11 can hypothesize as to what they may be, but
12 I'm not involved in those lawsuits, and so I
13 really don't -- I don't have personal
14 knowledge.

15 Q But there are some amount of costs
16 in the current DCE that would be attributable
17 to DOE's failure to perform; is that right?

18 A Yes.

19 MR. PEFFER: Okay. Okay. Thank you.
20 In the interest of time, Mr. Bledsoe, thank
21 you very much.

22 THE WITNESS: You're welcome.

23 ALJ BUSHEY: Thank you, Mr. Freedman.

24 Redirect, Mr. Matthews.

25 MR. MATTHEWS: Yes, your Honor. I have
26 a few questions.

27 ///
28 ///
29

1 REDIRECT EXAMINATION

2 BY MR. MATTHEWS:

3 Q Mr. Bledsoe, there was some
4 discussion regarding a few projects that you
5 described in your testimony on
6 cross-examination as construction projects,
7 and they included the independent spent fuel
8 storage installation expansion project, spent
9 fuel islanding project, and the cold and dark
10 project. Do you recall that discussion?

11 A Yes.

12 Q Are these projects necessary for
13 decommissioning?

14 A Yes, they are.

15 Q Mr. Bledsoe, there was also some
16 discussion during your cross-examination
17 regarding Assumption No. 21, which is in
18 Exhibit 1 in Attachment A?

19 A Yes. I see it.

20 Q The problem is I don't see it. On
21 page A-1-26.

22 A It's A-1-28.

23 Q Excuse me.

24 A This is Assumption 21.

25 Q Okay. Thank you. There was some
26 discussion regarding that assumption and
27 regarding whether the 405 million estimated
28 for the independent spent fuel storage

1 installation expansion project relates to all
2 of the costs identified in Assumption 1 for
3 the -- excuse me -- independent spent fuel
4 storage installation construction and
5 transfer of spent fuel from Units 2 and 3.
6 Do you recall that discussion?

7 A Yes, I do.

8 Q Does Assumption 21 and the
9 discussions of costs also discuss other costs
10 that are included elsewhere in the
11 decommissioning cost estimate?

12 A Yes.

13 Q Can you elaborate?

14 A So I believe in my exuberance I
15 agreed that the 401 -- \$405 million in the
16 estimate for the ISFSI project, that that
17 addressed all of the costs associated with
18 Assumption No. 1. What I meant was that it
19 included the costs from the first sentence of
20 Assumption No. 1 which states the costs for
21 ISFSI construction and transfer of spent fuel
22 from the Units 2 and 3 to dry storage were
23 developed by SCE and furnished to Energy
24 Solutions. The 405 million does not include
25 other types of costs that are discussed in
26 this assumption such as the dismantling and
27 demolition of the ISFSI after the fuel is
28 removed.

1 Q It also doesn't include the O&M
2 costs associated with operating the
3 independent spent fuel storage installation?

4 A That's correct.

5 Q On page 27 of Exhibit 1 there were
6 some -- a discussion regarding the bullet
7 point that appears on lines 19 through 20
8 regarding all fuel assemblies will be removed
9 from the SONGS 2 and 3 spent fuel pools by
10 mid-2019 instead of December 2023. Do you
11 recall that discussion?

12 A Yes. And I see it here.

13 Q You were also asked for the reasons
14 why there is a change for moving from 2023 to
15 2019. Do you recall that?

16 A Yes.

17 Q Can you clarify the reasons why all
18 fuel assemblies will be removed from the
19 SONGS 2 and 3 spent fuel pools by mid-2019
20 instead of December 2023?

21 A Yes. As it states here beginning
22 on line 15, as a result of the newly
23 available information regarding the licensed
24 characteristics of a different type of spent
25 fuel dry storage canister that SCE intends to
26 use for most of the fuel assemblies that
27 currently remain in the SONGS 2 and 3 spent
28 fuel pools, the new decommissioning cost

1 estimate was developed or the new
2 decommissioning cost estimate developed by
3 Energy Solutions/CBI used the following new
4 assumptions.

5 And so in addition to the reasons
6 that I explained previously, the availability
7 of a different fuel canister that had -- that
8 would be licensed to accommodate a different
9 or in higher thermal loading was a
10 significant contributing factor into this
11 changed assumption that would allow the fuel
12 assemblies to be removed from the pools by
13 mid-2019 instead of December of 2023.]

14 Q Mr. Bledsoe, TURN's counsel asked
15 you a number of questions regarding whether
16 and when details would be available to the
17 Commission regarding some of the distributed
18 activities listed in the decommissioning cost
19 estimate. Do you recall that discussion?

20 A Yes.

21 Q The decommissioning cost estimate
22 is a conceptual estimate; correct?

23 A Yes, it is.

24 Q Can you elaborate on what that
25 means?

26 A Yes, the -- the decommissioning
27 cost estimate is an -- a non-engineered cost
28 estimate. It is not based on detailed

1 engineered plans for each of the activities
2 that will be required to complete the
3 decommissioning project.

4 Q So is it correct to say that
5 detailed planning for certain activities
6 needs to be completed in order to understand
7 the full scope of certain line activities
8 within the decommissioning cost estimate?

9 A I think that's an accurate
10 statement, yes.

11 Q And will SCE provide summaries of
12 the detailed planning that is completed in
13 future updates to the decommissioning cost
14 estimate?

15 A Yes.

16 MR. MATTHEWS: No further questions,
17 your Honor.

18 ALJ BUSHEY: Thank you, Mr. Matthews.

19 Final questions for the witness?

20 Mr. Lutz.

21 REXCROSS-EXAMINATION

22 BY MR. LUTZ:

23 Q Ray Lutz, Citizens Oversight.

24 We just heard a question regarding
25 the DCE and whether they were engineered or
26 non-engineered cost estimates. Do you recall
27 that question?

28 A Yes.

1 Q And you said that the -- they would
2 occur in the -- in the revised DCEs. My
3 question is will that be also reflected in
4 the advice letter reports?

5 A I don't know.

6 MR. LUTZ: Okay. I'm not sure how to
7 handle that. Is there a way that SCE can
8 respond if you don't know?

9 ALJ BUSHEY: Mr. Lutz, you've got your
10 answer.

11 MR. LUTZ: Well, he doesn't know, but
12 I'm trying to get the --

13 ALJ BUSHEY: That might be a good point
14 to make in your brief.

15 MR. LUTZ: Okay, that they don't know.
16 Okay. They -- they're planning to put the --
17 I'm sorry. I understood that as a result of
18 this proceeding, we would have an advice
19 letter process defined. And in this aspect,
20 they don't know what it's going to be. Okay.
21 Thank you.

22 ALJ BUSHEY: Ms. Gilmore.

23 MS. GILMORE: I have a -- a question
24 based on an answer he just gave.

25 ALJ BUSHEY: Okay.

26 REXCROSS-EXAMINATION

27 BY MS. GILMORE:

28 Q You had said that the spent fuel

1 pool island is required for decommissioning.
2 When he asked you that you said yes. Could
3 you give the reason that it's required?

4 A Yes, the -- the schedule that --
5 upon which this decommissioning cost estimate
6 is based is -- anticipates that the fuel will
7 be removed from the pools by 2014, and we
8 included spent fuel island project in that
9 scope because it was a more economical, more
10 cost-effective way to perform the
11 decommissioning.

12 Q Okay. So the -- so required -- you
13 meant more cost-effective, not necessarily
14 required then? Is that -- am I understanding
15 you correctly?

16 A That's correct. Yes.

17 MS. GILMORE: Okay. Thank you.

18 ALJ BUSHEY: Thank you.

19 Final questions for the witness?

20 (No response.)

21 ALJ BUSHEY: Hearing none, then the
22 witness is excused.

23 We'll be off the record.

24 (Off the record.)

25 ALJ BUSHEY: We'll be back on the
26 record.

27 While we were off the record, we
28 discussed Exhibits 01 through 17, which have

1 been identified thus far.

2 With the exception of Exhibit 15 to
3 which Edison has already set forth its
4 objections, Mr. Matthews, do you have any
5 objections to moving Exhibits 01 through 17
6 exclusive of 15 into the record.

7 MR. MATTHEWS: No objections, your
8 Honor.

9 ALJ BUSHEY: Okay. Do any other
10 parties object to any of those exhibits?

11 (No response.)

12 ALJ BUSHEY: Hearing none, then
13 Exhibits 01 through 17 are received into the
14 evidentiary record.

15 (Exhibit No. 01 was received into
16 evidence.)

17 (Exhibit No. 02 was received into
18 evidence.)

19 (Exhibit No. 03 was received into
20 evidence.)

21 (Exhibit No. 04 was received into
22 evidence.)

23 (Exhibit No. 05 was received into
24 evidence.)

25 (Exhibit No. 06 was received into
26 evidence.)

27 (Exhibit No. 07 was received into
28 evidence.)

1 (Exhibit No. 08 was received into
2 evidence.)

3 (Exhibit No. 09 was received into
4 evidence.)

5 (Exhibit No. 10 was received into
6 evidence.)

7 (Exhibit No. 11 was received into
8 evidence.)

9 (Exhibit No. 12 was received into
10 evidence.)

11 (Exhibit No. 13 was received into
12 evidence.)

13 (Exhibit No. 14 was received into
14 evidence.)

15 (Exhibit No. 16 was received into
16 evidence.)

17 (Exhibit No. 17 was received into
18 evidence.)

19 ALJ BUSHEY: Is there anything further
20 to come before the Commission today?

21 (No response.)

22 ALJ BUSHEY: Hearing none, then this
23 evidentiary hearing is concluded and
24 continued until 9:00 a.m. tomorrow morning.

25 (Whereupon, at the hour of
26 3:59 p.m., this matter having been
27 continued to 9:00 a.m., August 27, 2015
at San Francisco, California, the
Commission then adjourned.)

28 * * * * *]

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

)	
)	
Joint Application of Southern)	
California Edison Company (U338E))	
and San Diego Gas & Electric Company)	
(U902E) to Find the 2014 SONGS Units)	Application
2 and 3 Decommissioning Cost)	14-12-007
Estimate Reasonable and Address)	
Other Related Decommissioning)	
Issues.)	
)	
)	
)	

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, Thomas C. Brenneman, Certified Shorthand Reporter No. 9554, 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 the above-captioned matter on August 26, 2015.

I further certify that I have no interest in the events of the matter or the outcome of the proceeding.

EXECUTED this 26th day of August, 2015.

Thomas C. Brenneman
CSR No. 9554

BEFORE THE PUBLIC UTILITIES COMMISSION
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Joint Application of Southern)	
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Other Related Decommissioning)	
Issues.)	
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CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, Wendy M. Pun, Certified Shorthand Reporter No. 12891, 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 the above-captioned matter on August 26, 2015.

I further certify that I have no interest in the events of the matter or the outcome of the proceeding.

EXECUTED this 26th day of August, 2015.

Wendy M. Pun
CSR No. 12891