

CACD/DML/JRC

**ORIGINAL**

Decision 88 07 071 July 22, 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC	)	
for an Order Confirming San Diego's	)	
appointments of three Noncompany Nominees	)	Application 88-06-044
to their Nuclear Decommissioning Trust	)	(Filed June 23, 1988)
Fund Management Committee for Qualified	)	
and Nonqualified Trust Funds.	)	
	)	
	)	

OPINION

Summary of Decision

This decision grants San Diego Gas & Electric Company (SDG&E) the authority requested in its application that the Commission confirm the appointment of three noncompany members to its Nuclear Decommissioning Trust Fund Management Committee (Committee). SDG&E has two Master Trust Agreements (Trusts) for its ownership interest in three nuclear units at the San Onofre Nuclear Generating Station (SONGS) near San Clemente, California. San Diego owns 20 percent of SONGS Units Nos. 1, 2 and 3.

Background

On November 25, 1987, SDG&E's Trusts were approved by this Commission in Resolution E-3060. As a part of that approval, SDG&E was required to appoint three members from outside of the

company to membership on the Trusts' Committee. By this application SDG&E seeks the required Commission confirmation of three persons who will serve on a joint committee for both Trusts. Notice of the filing of the application appeared on the Commission's Daily Calendar of June 30, 1988. No protests have been received on this matter.

SDG&E, a California corporation, operates as a combined electric and gas public utility under the jurisdiction of this Commission. SDG&E is in the business of generating, transmitting, and distributing electric energy in San Diego County and portions of Orange County.

Description of the Authority

The application requests commission confirmation of the noncompany members to a combined trust Committee. The three are Walter D. Sanborn III, Marc Sandstrom and Charles J. Waidelich. In addition, as provided in the Trusts, SDG&E is appointing as company members of the Committee Jack E. Thomas, Chief Operating Officer and Margot A. Kyd, Treasurer. All appointments are for the maximum term of five years although the Commission has the authority to remove any member, including company members, at any time.

The CACD has reviewed the information provided by SDG&E with this application and has also conducted personal interviews with the three noncompany nominees and recommends to the Commission that all three nominees merit confirmation noting that they are all well qualified and willing to serve. SDG&E has made a serious

effort to obtain very competent and reliable individuals who are willing to devote the time and effort necessary to help assure the success of the Trusts.

SDG&E proposes to compensate only the noncompany members of the Committee with annual fees of \$5,000, plus \$500 per meeting. The type of service expected of these outside Committee members is highly unusual; these members will provide expert financial and economic guidance and insight into the management of extremely large sums of money held in trust over a very long period of time. The funds are for a vital function, the decommissioning of highly toxic nuclear generating facilities after a long service life and after money has been collected from customers. These customers might otherwise be faced with not only the costs of replacement generation but also decommissioning costs if these funds were not collected and prudently invested during the nuclear plants' operating lives. For this reason unusual or even extraordinary people with the skills and the commitment to their community are needed to manage these Trusts. The CACD has reviewed this compensation and believes that it should be approved by the Commission.

SDG&E will also provide liability insurance for the noncompany members and enter into indemnification agreements appropriate and usual for such service(s). There is a risk of a disqualifying "self-dealing" between SDG&E and the Trusts if SDG&E were to bill the Trusts for the costs of insurance. Therefore, SDG&E should pay the costs of insurance itself and seek prospective

recovery in its subsequent general rate proceedings. CACD recommends that SDG&E be placed on notice by this decision that the actual costs of insurance will be subject to review in a general rate proceeding and that this decision does not imply the acceptance of any specific cost of insurance. The CACD does recognize that some form of insurance or indemnification by SDG&E or the Trusts would probably be necessary in order to obtain members from the public to serve on the Committee.

The use of a joint Committee for the two Master Trusts has been considered by the CACD and it has no objections, noting that the fees and expenses will be allocated between the two Trusts.

#### Findings of Fact

1. SDG&E, a California corporation, operates as a public utility subject to the jurisdiction of this Commission.

2. There is no known opposition and there is no reason to delay granting the authority ex parte, as requested.

3. SDG&E nominates Walter D. Sanborn III, Marc Sandstrom and Charles J Waidelich as the noncompany Committee members of the Nuclear Decommissioning Trust Fund Management Committee for both the Qualified and Nonqualified Trusts.

4. The CACD has found Sanborn, Sandstrom and Waidelich to be well qualified and willing to serve on the Committee.

5. SDG&E proposes fees of \$5,000 per year and \$500 per meeting for the noncompany Committee members with no compensation by the Trusts of the two SDG&E officers on the Committee.

6. SDG&E will provide insurance for the noncompany members of the Committee not associated with the company. SDG&E will provide the insurance without billing the Trust to avoid self-dealing and will seek recovery in its subsequent general rate proceedings.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows. The following order should be effective five days after the date signed.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company is authorized to appoint to its Nuclear Decommissioning Trust Fund Management Committee noncompany members as follows:

a. Walter D. Sanborn, III, Marc Sandstrom and Charles J. Waidelich are confirmed to each serve a five year term as a noncompany member of SDG&E's Qualified and Nonqualified Nuclear Decommissioning Trust Fund Management Committee.

b. The fees to noncompany members are reasonable as defined in this decision and require Commission authority to be altered. These fees are to be allocated proportionally to both of SDG&E's Nuclear Decommissioning Trusts.

2. This application is granted as set forth above.

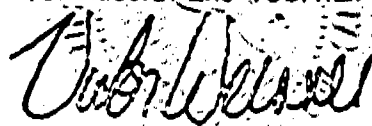
This order becomes effective five days from today.

Dated July 22, 1988 at San Francisco, California.

STANLEY W. HULETT  
President

DONALD VIAL  
FREDERICK R. DUDA  
C. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY



Victor Weisser, Executive Director

As