BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric
Company for Approval of Ratepayer
Funding to Perform Additional Seismic
Studies Recommended by the California
Energy Commissions.

APPLICATION 10-01-014
(Filed January 15, 2010)

NOTICE OF EX PARTE COMMUNICATION OF
THE CALIFORNIA ENERGY COMMISSION

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March 23, 2010
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of Ratepayer Funding to Perform Additional Seismic Studies Recommended by the California Energy Commissions.

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NOTICE OF EX PARTE COMMUNICATION OF THE CALIFORNIA ENERGY COMMISSION

Pursuant to Rules 8.2(c)(4) and 8.3 of the California Public Utilities Commission (Commission), the California Energy Commission (Energy Commission) hereby submits the following Notice of Ex Parte Communication in the above entitled proceeding.

On March 23, 2010, Energy Commission Vice Chair and Commissioner James D. Boyd – who is also the California State Liaison Officer to the U.S. Nuclear Regulatory Commission – sent a letter via first class mail to Commission President Michael R. Peevey and Commissioners Nancy E. Ryan, Dian Grueneich, Timothy Alan Simpson, and John Bohn. A copy of that letter is attached as Attachment A.

The letter expresses support for the expeditious approval of Pacific Gas and Electric Company’s (PG&E) application for approval of ratepayer funding to perform seismic studies at the Diablo Canyon Nuclear Power Plant. The letter notes that such seismic studies are recommended in Assembly Bill 1632 (Blakeslee, Chapter 722,
Statutes of 2006) and the Energy Commission's 2008 *Integrated Energy Policy Report*. The letter recommends that the Commission require that the seismic studies be completed, peer reviewed, and made part of PG&E's license renewal feasibility studies before further action is taken on the license renewal, as such studies are essential in order to fully evaluate the costs and benefits of Diablo Canyon's license extension.

Respectfully submitted,

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March 23, 2010
ATTACHMENT A
March 22, 2010

Michael R. Peevey
President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: PG&E’s Application to Recover Costs of Diablo Canyon Seismic Studies

Dear President Peevey:

I am writing in support of Pacific Gas and Electric Company’s (PG&E) application (January 15, 2010) for approval of ratepayer funding to perform additional seismic studies at the Diablo Canyon Nuclear Power Plant. In 2008 the Energy Commission completed a comprehensive assessment of the Diablo Canyon Power Plant and the San Onofre Nuclear Generating Station (SONGS), as required by Assembly Bill 1632 (Blakeslee, Chapter 722, Statutes of 2006). This assessment, which included studies of seismic hazards at the Diablo Canyon and San Onofre sites and plant vulnerabilities to seismic events, was adopted as part of the Energy Commission’s 2008 Integrated Energy Policy Report (IEPR).

The AB 1632 study found that important data on Diablo Canyon’s seismic hazard and plant vulnerabilities were incomplete and that three-dimensional geophysical seismic reflection mapping could resolve questions about the Hosgri Fault and might change conclusions about seismic hazards at this plant. The Hosgri Fault is considered to pose the dominant seismic hazard for Diablo Canyon and is estimated to be capable of generating up to a magnitude 7.5 earthquake. Recent studies have found that ground motion in close proximity to a fault could be stronger than previously thought and that this might be important at Diablo Canyon, since the plant lies within a few kilometers of the Hosgri Fault. In light of these uncertainties, combined with the discovery in 2008 of a previously unknown offshore fault less than a mile from the plant, the 2008 IEPR recommended that PG&E perform additional seismic studies, including using three-dimensional seismic reflection mapping and other advanced geophysical techniques to supplement ongoing seismic research programs.

The Energy Commission specifically linked these seismic studies to the Diablo Canyon license renewal process because a significant increase in the seismic hazard for the plant could have major ratepayer impacts. For example, the discovery of the Hosgri Fault after plant construction was well underway in the 1970s resulted in the subsequent seismic redesign of the Diablo Canyon plant and very costly plant retrofits. Similarly, the July 2007 magnitude 6.8 earthquake in
Japan shut down the Kashiwazaki-Kariwa Nuclear Power Plant for years, costing billions for plant retrofits and for purchases of replacement power. As such, the 2009 IEPR recommended that PG&E complete and report in a timely manner on all of the AB 1632 studies, including the three-dimensional seismic studies and the studies of the long-term seismic vulnerability and reliability of the plant, and make their findings available for consideration by the Energy Commission and available to the California Public Utilities Commission (CPUC) and to the U.S. Nuclear Regulatory Commission (NRC) during their reviews of the utility’s license renewal application.

The enrolled AB 42 (Blakeslee 2009) would have added a requirement for an independent peer review of these seismic studies. I fully support this recommendation. The Energy Commission, in consultation with the California Geologic Survey and the California Seismic Safety Commission, is available to conduct or facilitate a peer review of these seismic studies including independently reviewing the study plan and completed study findings.

The CPUC’s decision in PG&E’s 2007 General Rate Case (D07-03-044) requires PG&E to complete a license renewal feasibility study that incorporates the findings and recommendations of the AB 1632 assessments. This decision describes a review process that includes a CPUC proceeding in 2011 that “will result in a decision on whether to pursue license renewal based on circumstances at that time, and that the results of that proceeding will be incorporated into the Energy Commission’s 2013 IEPR and the CPUC’s 2014 LTPP.” Your letter to Peter Darbee dated June 15, 2009, directing PG&E to complete the AB 1632 studies as part of their license renewal feasibility studies for Diablo Canyon reinforced the state’s expectations that these studies be completed, so that their findings can be considered during license renewal reviews.

I was disappointed to learn that PG&E had ignored the Energy Commission’s recommendations and the CPUC’s directives and instead had filed for license renewal with the NRC on November 23, 2009, before they had completed the AB 1632-recommended studies. However, PG&E’s application to the NRC does not make the studies any less valuable. These studies continue to be needed for the Diablo Canyon license renewal feasibility assessment at the CPUC. Absent the studies, important information that is crucial to estimating the costs and benefits of license extension would be missing from the record.

To reiterate, in light of continuing uncertainty about the seismic hazard at Diablo Canyon and the need to maintain reliable operation of California’s electrical supply and to minimize customer rate impacts, I support the expeditious approval of PG&E’s application to perform the advanced seismic studies, as recommended in the AB 1632 Report and 2008 IEPR. Furthermore, in keeping with earlier recommendations of the Energy Commission and policy directives of the CPUC referenced above, I suggest that the CPUC require that these studies be completed, peer reviewed, and made part of PG&E’s license renewal feasibility studies before further action is taken on their license renewal.
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I believe these advanced seismic studies are essential to fully evaluate the costs and benefits of Diablo Canyon’s license extension and should begin as soon as possible.

Sincerely,

James D. Boyd, Commissioner and California State Liaison Officer to the Nuclear Regulatory Commission

Dian M. Grueneich, Commissioner
John Bohn, Commissioner
Timothy Alan Simon, Commissioner
Nancy E. Ryan, Commissioner
CALIFORNIA PUBLIC UTILITIES COMMISSION
Service Lists

PROCEEDING: A1001014 - PG&E - FOR APPROVAL
FILER: PACIFIC GAS AND ELECTRIC COMPANY
LIST NAME: LIST
LAST CHANGED: MARCH 10, 2010

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http://docs.cpuc.ca.gov/published/service_lists/A1001014_78823.htm 3/22/2010
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CERTIFICATION OF SERVICE

I, SCOTT MCDONALD, certify that I have caused copies of the NOTICE OF EX PARTE COMMUNICATION OF THE CALIFORNIA ENERGY COMMISSION, to be served by electronic mail, on or before March 23, 2010, on all parties who provided e-mail addresses for the identified service list A.10-01-014 provided by the California Public Utilities Commission for this proceeding. I have also served by hard copy via First-Class Mail parties who do not have an email on the aforementioned service list on March 23, 2010. I have also served by overnight mail two copies to ALJ Robert A. Barnett and two copies to Commissioner Michael R. Peevey of the California Public Utilities Commission on March 23, 2010.

March 23, 2010

DECLARANT
(Service Lists attached to the original only)