JOINT PREPARED TESTIMONY OF
PACIFIC GAS AND ELECTRIC COMPANY AND
THE DIVISION OF RATEPAYER ADVOCATES
IN SUPPORT OF PROPOSED SETTLEMENT
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APPENDIX A Statements of Qualifications........................................ Joseph F. O’Flanagan
                                                                       Loren D. Sharp
                                                                       Truman L. Burns
A. Introduction

On January 29, 2010, Pacific Gas and Electric Company (PG&E) submitted an application to recover the costs associated with renewal of the Diablo Canyon Power Plant (Diablo Canyon or DCPP) Operating Licenses, Application 10-01-022. In that application, PG&E requested that the California Public Utilities Commission (CPUC or Commission) find that it is cost effective and in the best interest of PG&E’s customers to preserve the option to operate Diablo Canyon for an additional 20 years beyond the expiration of the current operating licenses for Units 1 and 2, which expire in 2024 and 2025 respectively. Additionally, PG&E requested authority to recover in rates the costs to obtain the federal and state approvals necessary to renew the operating licenses for DCPP. PG&E estimated those costs at $85.0 million, excluding environmental mitigation costs.

On October 11, 2010, PG&E, the Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN) (collectively, the Joint Parties) reached a settlement in principle of the issues in the application. A settlement conference was then held on October 18, 2010. The Settlement Agreement (SA) was executed on November 15, 2010, and a Joint Motion for Approval of Settlement Agreement was submitted by the Joint Parties on November 16, 2010. On December 14, 2010, comments were filed by the Alliance for Nuclear Responsibility, Sierra Club, Cal Pirg and the Environmental Research and Policy Center (collectively, A4NR). The Joint Parties responded to the A4NR comments on December 30, 2010. The SA, the Joint Motion for Approval of Settlement Agreement and the Joint Parties’ Response are attached as Attachment 1.

In a ruling dated January 28, 2011, Administrative Law Judge Barnett set the SA for hearing. The ruling states that there are two issues to be resolved in the proceeding that require a hearing, namely:
1. Whether the SA should be adopted?
2. Whether funding should be authorized before seismic studies are completed?

This prepared testimony addresses those two issues.[1]

B. The Settlement Agreement Is Reasonable and Should Be Adopted

1. The Results of PG&E’s License Renewal Feasibility Study Confirm That There Are No Safety, Technical or Environmental Impediments to 20 Years of Additional Operations

   PG&E submitted its License Renewal Feasibility Study (LRFS) with its application in this docket. The LRFS concludes that there are no safety, technical or environmental impediments to operating Diablo Canyon during an extended 20-year license period. These conclusions will, of course, be evaluated by the Nuclear Regulatory Commission (NRC) through its federal review and in part by the California Coastal Commission (CCC) as part of its consistency determination. They are not, however, within the scope of this proceeding. The issue in this proceeding is not whether Diablo Canyon can be operated safely for an additional 20 years, but whether an adequate showing has been made to determine that it is reasonable for PG&E to incur license renewal costs of up to $80.0 million to preserve the option of operating Diablo Canyon for an additional 20 years beyond the expiration of its current operating licenses.

2. The Cost Estimate for License Renewal Prepared by PG&E, as Adjusted by the Settlement, Is Reasonable

   PG&E requested in the application that the CPUC adopt an initial capital cost estimate of $85.02 million in pursuing the renewal of operating licenses from the NRC and working with the CCC and other state and local agencies to obtain the permits required for continued operation of Diablo Canyon for an additional 20 years beyond the expiration of the current operating licenses.

[1] This joint prepared testimony is sponsored for PG&E by Joseph O’Flanagan and Loren Sharp and for DRA by Truman Burns. The Statements of Qualifications for Mr. O’Flanagan, Mr. Sharp, and Mr. Burns are attached. These witnesses, along with Mr. David A. Schlissel for TURN, will testify at hearing as a panel.
licenses. In the SA, the Joint Parties have agreed that a License Renewal project forecast of $80.0 million is reasonable. The reduction of approximately $5.0 million is a reasonable compromise of the approximately $8.0 million questioned by DRA in its testimony in the proceeding. (No other party challenged PG&E’s forecast of project costs.)

PG&E’s initial capital cost estimate was developed based on benchmarking information available to PG&E regarding the costs of participation in the federal and state licensing process as well as PG&E’s experience in obtaining permits for projects such as the Independent Spent Fuel Storage Installation and the Steam Generator Replacement Project.

PG&E’s estimate of the costs associated with the NRC process is described in Chapter 6 of PG&E’s prepared testimony. As summarized in Table 6-1, PG&E forecasts that the cost of the NRC process will be approximately $38.5 million. Tables 6-1, 6-2, 6-3, 6-4, 6-5, 6-6, 6-7 and 6-8 (Attachment 2) provide detailed support for the cost estimate. PG&E’s forecast of the costs associated with the state process is described in Chapter 7 of PG&E’s prepared testimony in the proceeding. As shown in Table 7-1, PG&E forecasts that the cost of the state process will be approximately $8.0 million. Tables 7-1, 7-2 and 7-3 (Attachment 3) provide detailed support for the cost estimate. The total direct costs of the NRC process and state process are approximately $46.5 million in 2009 dollars. As shown in Table 8-3 (Attachment 4), when escalation, capital administrative and general costs, Allowance for Funds Used During Construction, and contingency are added to this total, the total financial cost of the project is forecast by PG&E to be approximately $85.0 million.

PG&E also proposed that the Commission establish a “License Renewal Environmental Mitigation Balancing Account” (LREMBA) to track the costs of ongoing environmental mitigation that may be required in connection with obtaining renewed operating licenses for Diablo Canyon that are not included in the initial capital cost estimate, for example as a condition of the coastal consistency determination or a coastal development permit. The SA provides that the LREMBA should be adopted and reviewed in PG&E’s next General Rate Case (GRC).
In its prepared testimony, DRA questioned approximately $8.0 million of PG&E’s $85.0 million forecast. DRA questioned the need for three full-time equivalent positions on the License Renewal Project Management Team and proposed a reduction of $1.4 million in contingency. In resolution of these disputed issues, PG&E agreed to reduce its forecast to $80.0 million. The settling parties agree that, as adjusted, the forecast of project costs is reasonable and should be approved by the Commission.

3. The Diablo Canyon License Renewal Project Is Cost Effective

In order to assess whether preserving the option to operate Diablo Canyon beyond expiration of its existing operating licenses is in the best interest of customers, PG&E examined the net benefits to customers of extending the operations of Diablo Canyon compared to shutting down DCPP at the end of its current license period and obtaining replacement power from 2025 through 2044. Under a wide range of assumptions, it is cost effective to renew the operating licenses for Diablo Canyon and extend operations for 20 years. PG&E estimates that the net benefits of extending DCPP operations range from $3.5 billion to $16.3 billion for the various replacement energy alternatives, as summarized in Table 1 below.
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<th>Line No.</th>
<th>Description</th>
<th>NPV of Extended Operation</th>
<th>NPV of Current Operations</th>
<th>NPV of Replacement Energy</th>
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PG&E’s cost effectiveness study (presented in Chapter 5 of PG&E’s prepared testimony) shows that the costs to replace Diablo Canyon energy and capacity with alternate generation resources significantly exceed the costs of extending Diablo Canyon operations. To evaluate the cost effectiveness of license renewal, PG&E examined the changes in costs to customers resulting from continuing Diablo Canyon operations versus shutting the units down and replacing Diablo Canyon energy and capacity. PG&E examined the cost of replacing Diablo Canyon with four generation alternatives: (1) new combined cycle generation; (2) energy efficiency investments; (3) renewable generation; and (4) integrated gasification...
combined cycle and carbon capture and sequestration. PG&E evaluated the costs for continuing Diablo Canyon operations through a 20-year license renewal, which included non-fuel Operations and Maintenance (O&M) expenses, capital expenditures and nuclear fuel expenses. PG&E included costs of capital projects that may be necessary to continue plant operations if aging management and monitoring programs identify them as necessary. In all scenarios analyzed, extending Diablo Canyon operations provided PG&E's customers with a $3.5 billion to $16.5 billion savings over the next lowest cost alternative.

While DRA did not oppose PG&E's economic analysis methodology, DRA did express concerns with some of the input assumptions used in PG&E's analysis, such as the capital expenditures forecast, the age and validity of PG&E's natural gas cost forecast and the exclusion of a group of potential costs, particularly a cooling tower retrofit project. DRA encouraged the Commission to recognize the inherent risks of long-term natural gas forecasts, pointing out that this was one of the most important inputs in the cost-effectiveness study.

Citing what it considered to be optimistic assumptions about inputs to PG&E's economic analysis, TURN stated in its prepared testimony that “it is not unreasonable to posit that there are a number of circumstances in which the costs to ratepayers of relicensing Diablo Canyon would exceed the benefits.” Among concerns cited by TURN was the lack of any nuclear plant having been operated for more than 41 years, the lack of a scenario in PG&E's analysis addressing Once-Though Cooling issues, the use of a relatively low forecast of future seismic-related costs, and the possibility that Diablo Canyon may operate more poorly in the 20-year license extension period than PG&E's analysis assumed. TURN presented alternative scenarios based on less optimistic assumptions regarding levels of O&M Expense and Capital Expenditures, and the addition of Cooling Towers. A4NR agreed with TURN’s testimony on this issue.

The SA reasonably addresses and resolves the concerns raised by parties by providing an on-going mechanism to evaluate the cost-effectiveness of extended Diablo Canyon operations as critical assumptions in the cost-benefit analysis may change over time. The SA
thus acknowledges that there is considerable uncertainty in the economic
analysis of extending DCPP operations 20 years past the expiration of its
current license dates and that PG&E should be required to provide:

1. An updated cost-effectiveness analysis for operating Diablo Canyon
   through the remainder of its license life (including a 20-year NRC
   renewal). The cost-effectiveness analysis shall apply the same
   approach developed in Application 10-01-022 and compare Diablo
   Canyon operations to the following alternative resource options—
   combined cycle (low/medium/high gas with low/medium/high CO2
   price).

2. Disclosure of all material inputs used in the cost-effectiveness analysis
   including forecasted annual O&M, capital and fuel costs, and expected
   annual capacity factors.

3. A reconciliation of the inputs identified in (2) with the inputs relied upon
   for previous cost-effectiveness analyses. This reconciliation should
   explain the reasons for any increases or decreases relative to previous
   forecasts.

4. A listing of any known unquantified risks that may significantly impact
   the economics of project operations through the forecasted period.

   The information described in items 1 through 4 above would be provided
in all GRCs between now and 2024 as well as in any applications filed by
PG&E between now and 2024 in which PG&E seeks approval for new
capital projects or annual O&M expenditures at Diablo Canyon in excess of
$20.0 million (excluding the Nuclear Decommissioning Cost Triennial
Proceeding).

These provisions were included in the SA to address concerns about the
uncertainty of the assumptions used in the forecast. If the updated analysis
shows that the continued operation of DCPP for an additional 20 years is no
longer warranted, the CPUC could take whatever action it deems necessary
at that time. This element of the SA ensures that the cost-effectiveness
determination for extended Diablo Canyon operations is not based upon a
single snap shot in time but rather is evaluated and reassessed over time as
conditions may change.
4. There Are Reliability and Environmental Benefits Associated With Twenty Additional Years of Diablo Canyon Operations

Approving the SA and authorizing PG&E to recover the costs associated with Diablo Canyon license renewal is cost effective for customers, but there are additional environmental and reliability benefits as well. Diablo Canyon Units 1 and 2 have a combined capacity of over 2,200 megawatts. The units safely and reliably generate approximately 18,000 gigawatt-hours of electricity per year—about 6 percent of the energy generated in California annually. Diablo Canyon represents 20 percent of PG&E’s total generation and over 50 percent of the generation PG&E owns that is virtually greenhouse gas (GHG) emission-free. Diablo Canyon avoids the emission of 6 to 7 million tons per year of GHG that would otherwise be produced by conventional generation sources.

C. It Is Reasonable to Approve the Settlement Agreement and Authorize Cost Recovery for License Renewal Prior to Completion of the 3D Seismic Studies

In the order setting the SA for hearing, parties were directed to address the following issue: “Whether funding should be authorized before seismic studies are completed”? The Joint Parties have agreed that the answer to this question is “yes.”

The SA, if approved by the Commission, would authorize PG&E to recover the costs to obtain the state and federal permits necessary to operate Diablo Canyon for an additional 20 years beyond expiration of the current operating licenses, up to the $80.0 million initial capital forecast, in rates as of the date the NRC grants PG&E’s license renewal application. There is no provision in the settlement that would delay or defer recovery of license renewal project costs if the 3D seismic studies recommended by the CEC have not been completed when the licenses for Diablo Canyon are renewed.

As explained above, the SA does include a requirement that in all future GRCs between now and 2024 and in any applications filed by PG&E between now and 2024 in which PG&E seeks approval for new capital projects or annual O&M expenditures at Diablo Canyon in excess of $20.0 million, PG&E shall be required to update its cost-effectiveness analysis to evaluate if it remains cost effective to operate Diablo Canyon for an additional 20 years. Including this
provision addresses A4NR's concern regarding completion of the three
dimensional seismic studies recommended by the CEC.

In this proceeding, the question before the Commission is whether it is
cost-effective and in the best interest of PG&E's customers to spend up to
$80.0 million to preserve the option to operate Diablo Canyon beyond the
expiration of the current operating licenses. Seismic issues are relevant to this
proceeding only to the extent that seismic risk affects the cost effectiveness
analysis presented in the application. Based upon PG&E’s and the NRC’s
analysis and findings of current seismic data, there is no basis to conclude that
new seismic risks at Diablo Canyon will require significant seismic retrofits, the
cost of which might affect the cost-effectiveness conclusion in PG&E’s cost
effectiveness study.

However, should new seismic information require incremental expenditures
not included in the current cost-effectiveness study, the SA requires PG&E to
update its cost-effectiveness study in the next GRC. This requirement to update
in future GRCs to evaluate any new circumstance that could cause increased
costs at Diablo Canyon addresses seismic uncertainties as well as other
uncertainties, such as a potential requirement to eliminate once through cooling.
The SA therefore reasonably addresses the seismic issue and all issues of
future uncertainty by ensuring that the Commission will have an opportunity to
reexamine the cost-effectiveness of continued operations of Diablo Canyon
when a future event actually occurs that would result in cost increases.

In addition, deferring cost recovery for license renewal would be inconsistent
with the guidance the Commission provided to PG&E regarding the timing for
pursuing license renewal. In Decision 07-03-044, the Commission concluded
that, for generation resource planning purposes, it would be prudent to have an
NRC decision on any Diablo Canyon license renewal application at least
10 years in advance of the dates that the current operating licenses expire. The
current licenses for Units 1 and 2 at Diablo Canyon expire in 2024 and 2025
respectively. That would mean that, applying the Commission’s “10 years in
advance” standard, PG&E should be working to secure an NRC license renewal
decision by the end of 2014. That is precisely what PG&E is doing and that is
why PG&E has initiated the license renewal process at the NRC and why PG&E
filed the application in this proceeding.
Further, licensees file license renewal applications with the NRC according to “slots” reserved with the NRC in advance. The NRC is then able to allocate resources to review license renewal applications in accordance with these slots. As a member of Strategic Teaming and Resource Sharing (STARS), a consortium of utilities which each own and operate a single nuclear power station, PG&E was allocated a November/December 2009 slot for filing a license renewal application with the NRC. This timing is consistent with securing an NRC decision by 2014, so PG&E took the opportunity to begin the process. Had PG&E not filed when it did, the next time PG&E would have had a slot designated for it through the STARS process would have been sometime in 2014. Obviously, delaying the filing until 2014 would not have allowed sufficient time for a decision from the NRC at least 10 years in advance of plant shut down, which would adversely affect PG&E’s long-term resource planning.

Given that the CEC-recommended seismic studies are not expected to be completed until sometime in 2013 at the earliest, and given the time it would take thereafter to resume pursuit of an NRC license renewal decision and the state and local agency permits that are also required for continued operation of the plant, PG&E would not be able to meet the Commission’s standard that a prudent utility should obtain a final decision on license renewal by 10 years in advance of the expiration of the current licenses. The Commission should not put PG&E in the position of being unable to meet the very “prudent” standard the Commission itself articulated concerning resource planning by deferring funding of the application until after the 3D seismic studies have been completed in 2013.

Finally, it is important to point out that seismic issues are, and always have been, an ongoing operational concern at Diablo Canyon. Seismic issues affect current day operations. PG&E is constantly collecting and evaluating seismic data as part of its Long-Term Seismic Program.

If PG&E learns anything that may be significant to the safe operation of the plant, PG&E promptly shares that information with the NRC. The NRC has the responsibility of ensuring that no nuclear plant is permitted to continue operating if that continued operation poses a threat to public safety. In the unlikely event that a seismic concern is identified by the CEC-recommended 3D seismic studies currently under way (but which will likely not be complete for two to three
years), that concern will be evaluated by the NRC. If the NRC determines it is not safe to operate Diablo Canyon as designed, the NRC will shut Diablo Canyon down immediately.

This seismic safety issue is not, and never has been, an issue that is tied to license renewal. It may (or may not) arise during the current license term. The NRC, in a letter to A4NR dated July 6, 2010, confirmed that the NRC will not suspend the license renewal process for Diablo Canyon pending completion of 3D seismic studies recommended by the CEC. The NRC letter states “[i]t is important to note that this license renewal review will not affect the ongoing safety oversight process within which the NRC staff will continue to address seismic issues. The NRC staff is involved on a daily basis in monitoring and inspecting the operations at DCPP. By addressing seismic issues within the agency’s continuing safety oversight of the power plant, the NRC staff is able to quickly respond to new information, as the agency demonstrated when it monitored the response by PG&E to the discovery of the Shoreline Fault.”

For these reasons, it would be unreasonable to modify the SA to defer recovery of license renewal costs until after the 3D seismic studies are completed. Cost recovery to retain the option to operate Diablo Canyon for an additional 20 years beyond the expiration of the current operating licenses and the continuing evaluation of seismic safety at the plant are unrelated and should remain de-linked.
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
for Approval to Recover the Costs Associated with
Renewal of the Diablo Canyon Power Plant
Operating Licenses.

Application No. 10-01-022

JOINT MOTION OF PACIFIC GAS AND ELECTRIC COMPANY, THE DIVISION OF
RATEPAYER ADVOCATES AND THE UTILITY REFORM NETWORK FOR
APPROVAL OF SETTLEMENT AGREEMENT

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November 16, 2010
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric
Company to Recover the Costs Associated
with Renewal of the Diablo Canyon Power
Plant Operating Licenses. 

Application No. 10-01-022

(U 39 E)

JOINT MOTION OF PACIFIC GAS AND ELECTRIC COMPANY, THE
DIVISION OF RATEPAYER ADVOCATES AND THE UTILITY REFORM
NETWORK FOR APPROVAL OF SETTLEMENT AGREEMENT

Pursuant to Rule 12.1 of the Rules of Practice and Procedure of the California
Public Utilities Commission (“CPUC” or “Commission”), Pacific Gas and Electric
Company (PG&E), the Division of Ratepayer Advocates (DRA) and The Utility Reform
Network (TURN) hereby request approval of the attached Settlement Agreement. The
Settlement Agreement resolves all of the issues raised by DRA and TURN in this
application. Pursuant to Rule 12.1(b), on October 11, 2010, the Settling Parties e-mailed
notice of a settlement conference. On October 18, 2010, the Settling Parties held a
settlement conference. Southern California Edison Company (SCE) and the Alliance for
Nuclear Responsibility (A4NR) sent representatives to the settlement conference.

The Settling Parties urge the Commission to approve the Settlement Agreement as
reasonable in light of the whole record, consistent with the law and in the public interest.

I. BACKGROUND AND PROCEDURAL HISTORY

On January 29, 2010, PG&E submitted an Application to recover the Costs
Associated with Renewal of the Diablo Canyon Power Plant Operating Licenses, A.10-
01-022. In that Application, PG&E requested that the Commission find that it is cost
effective and in the best interest of PG&E’s customers to preserve the option to operate Diablo Canyon Power Plant (“Diablo Canyon” or “DCPP”) for an additional 20 years beyond the expiration of the current operating licenses for Units 1 and 2, which expire in 2024 and 2025 respectively. In turn, PG&E requested authority to recover in rates the costs to obtain the federal and state approvals related to renewal of the DCPP operating licenses. PG&E estimated those costs at $85 million, excluding environmental mitigation costs.

In testimony supporting the Application, PG&E presented its economic analysis, which suggested a range of potential benefits to customers of operating Diablo Canyon an additional 20 years of $3.5 billion to $16.3 billion when compared to the various replacement energy alternatives presented. Based on this tremendous potential upside and the successful completion of the technical analysis supporting license renewal, PG&E suggested to the Commission that it would be reasonable and prudent for PG&E to spend up to $85 million in costs to apply to the Nuclear Regulatory Commission (NRC) to renew the operating licenses for Diablo Canyon and to pursue the other necessary state and local authorizations. To reflect the fact that it is difficult to predict the cost of environmental mitigation measures that may be imposed by state and local agencies that may assert authority over license renewal, PG&E requested that the Commission establish the Diablo Canyon License Renewal Environmental Mitigation Balancing Account (LREMBA), in which PG&E would accrue and recover the actual costs of mitigating environmental impacts.

On August 18, 2010, DRA served testimony expressing concern that the assumptions used in PG&E’s economic analysis may be overly optimistic due to
uncertainties associated with: (1) capital expenditures forecasts; (2) older natural gas forecasts adopted by the California Energy Commission and used by PG&E; and (3) possible costs of required cooling retrofits or mitigation. Additionally, DRA proposed a reduction of $8 million to the $85 million cost estimate. DRA also asserted that any costs recorded in the LREMBA be reviewed in the General Rate Case after they are recorded and recommended that the Commission direct PG&E to reduce depreciation expense by $5.9 million to reflect depreciating assets over 30 years.

TURN also served testimony expressing concern with the uncertainty associated with the assumptions in PG&E’s economic analysis. In addition, TURN presented several alternative cost effectiveness scenarios where, using higher capital and non-fuel O&M forecasts, as well as assuming some additional capital costs, operating DCPP for an additional 20 years would not be a cost effective option for customers. TURN then proposed a ratepayer protection mechanism which would have created a rebuttable presumption that both costs incurred above PG&E’s forecast, and capacity factors achieved below PG&E’s forecasts, were unreasonable.

On September 17, 2010, PG&E served rebuttal testimony supporting the $85 million License Renewal project costs and challenging the cost assumptions used in TURN’s economic analysis and scenarios. PG&E also opposed TURN’s ratepayer protection proposal.

On October 11, 2010, the Parties reached a settlement in principle on the issues raised by DRA and TURN in the proceeding, compromising on the project cost and economic analysis as set forth in Section II below and in the attached Settlement Agreement. Also on October 11, 2010, pursuant to Rule 12.1(b), at the Parties' request
Administrative Law Judge (ALJ) Robert Barnett suspended hearings pending the outcome of the settlement. As noted above, the Parties served notice of and held a settlement conference on October 18, 2010.

II. THE SETTLEMENT

As a compromise of their respective litigation positions, the Parties agreed that in all future General Rate Cases and applications filed by PG&E between now and 2024 in which PG&E seeks approval for new capital projects or annual O&M expenditures at Diablo Canyon in excess of $20 million (excluding the Nuclear Decommissioning Cost Triennial Proceeding), PG&E shall provide the following information as part of its showing:

1. An updated cost-effectiveness analysis for operating Diablo Canyon through the remainder of its license life (including a 20-year NRC renewal). The cost-effectiveness analysis shall apply the same approach developed in A.10-01-022 and compare Diablo Canyon operations to the following alternative resource options -- CC (low/medium/high gas with low/medium/high CO2 price).

2. Disclosure of all material inputs used in the cost-effectiveness analysis including forecasted annual O&M, capital and fuel costs, and expected annual capacity factors.

3. A reconciliation of the inputs identified in (2) with the inputs relied upon for previous cost-effectiveness analyses. This reconciliation should explain the reasons for any increases or decreases relative to previous forecasts.

4. A listing of any known unquantified risks that may significantly impact the economics of project operations through the forecasted period.

The Parties also agreed that a License Renewal project forecast of $80 million is reasonable. PG&E may seek separate recovery of any additional amounts incurred for license renewal activities, subject to a reasonableness review, in its next General Rate Case. The Parties agreed that rate recovery of the revenue requirement for the License
Renewal project will be calculated using a 30-year remaining life, beginning when and if the NRC grants renewed operating licenses for Diablo Canyon operations. The remaining life will be adjusted in the event that Diablo Canyon operations are not extended for the additional 20 years. Finally, the Parties agreed that any costs recorded in the LREMBA will be reviewed in the General Rate Case after they are recorded.

III. THE COMMISSION SHOULD APPROVE THE SETTLEMENT

The Parties believe the Settlement represents a reasonable compromise of issues on the record in this proceeding. There are no laws blocking or contradicting implementation of the Settlement Agreement and the Parties believe that the Settlement Agreement is in the public interest. Therefore, the Parties urge the Commission to approve the Settlement Agreement. Commission Rule 12.1(d) sets forth the standard for approval of settlements:

The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

The Commission approves settlement agreements based on whether the settlement agreement is just and reasonable as a whole, not based on its individual terms:

In assessing settlements we consider individual settlement provisions but, in light of strong public policy favoring settlements, we do not base our conclusion on whether any single provision is the optimal result. Rather, we determine whether the settlement as a whole produces a just and reasonable outcome.†

As noted above, the Commission strongly favors settlement:

The Commission also takes into consideration a long-standing policy favoring settlements. This policy reduces litigation expenses, conserves scarce Commission resources and allows parties to craft their own solutions reducing the risk of unacceptable outcomes if litigated.‡

† D.10-04-033, mimeo, p. 9.
The record of this proceeding demonstrates that preserving the option to operate Diablo Canyon for an additional 20 years is, in the substantial majority of scenarios, in the best interest of PG&E’s customers. Nonetheless, the record also reflects the uncertainty surrounding the assumptions used in the economic analysis. The settlement resolves this issue by requiring PG&E to present updates to the economic analysis in each General Rate Case between now and 2024, and in any separation application between now and 2024 requesting rate recovery of new capital projects or new O&M expenses associated with Diablo Canyon over $20 million. Thus, the Commission can be assured that continued operation remains in the best interest of PG&E’s customers.

Additionally, the agreement on the overall revenue requirement, representing the costs the Parties agree are reasonable in advance, and therefore not subject to after-the-fact reasonableness review, strikes an appropriate compromise of the Parties' positions in this proceeding and is in the public interest. Under the ratemaking proposal, of course, PG&E will recover only actual costs up to the $80 million in rates. If costs exceed the $80 million, any costs above $80 million will be subject to reasonableness review. Likewise, establishing reasonableness review for costs accrued and recovered in the LREMBA and providing that rate recovery for the revenue requirement for the License Renewal project will be calculated using a 30-year remaining life protects and benefits PG&E’s customers.

IV. CONCLUSION AND REQUESTED COMMISSION ACTION

The active parties to this proceeding have reached settlement on the issues raised by those parties and the result is reasonable in light of the record, consistent with the law.

2 D.10-06-038, mimeo, p. 36.
and in the public interest. Therefore, the Parties respectfully request that the Commission approve the Settlement Agreement.

Respectfully submitted on behalf of all Indicated Settlement Parties under Rule 1.8(d),

WILLIAM V. MANHEIM
MARK D. PATRIZIO
JENNIFER K. POST

By: /s/ JENNIFER K. POST

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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: November 16, 2010
SETTLEMENT AGREEMENT

In accordance with Rule 12.1 of the Commission’s Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E), the Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN), hereby enter into this Settlement Agreement in order to resolve disputed issues regarding the forecast revenue requirement to be authorized in PG&E’s Application to Recover the Costs Associated with Renewal of the Diablo Canyon Power Plant Operating Licenses, A. 10-01-022 ("License Renewal Application").

RECITALS

1. On January 29, 2010, PG&E filed its License Renewal Application with the Commission. In that Application, PG&E requested that the Commission find that it is cost effective and in the best interest of PG&E’s customers to preserve the option to operate Diablo Canyon Power Plant ("DCPP" or "Diablo Canyon") for an additional 20 years beyond the expiration of the current operating licenses in 2024 and 2025 for Unit 1 and Unit 2, respectively. In turn, PG&E requested authority to recover in rates the cost to obtain the federal and state approvals related to renewal of the DCPP operating licenses (referred to as the “License Renewal project”), estimated at $85 million.

2. In addition to the $21.6 million initial revenue requirement associated with the estimated $85 million in License Renewal project costs, PG&E requested that the Commission approve the License Renewal Environmental Mitigation Balancing Account ("LRE MBA") in which PG&E would record and through which PG&E would recover the actual costs of mitigating environmental impacts associated with obtaining approvals required to operate Diablo Canyon during the renewed license term.

3. On August 18, 2010, DRA served testimony addressing PG&E’s request. DRA expressed concern about the uncertainty of some of the assumptions used in PG&E’s cost effectiveness analysis and proposed an $8 million reduction to the License Renewal
project cost estimates. DRA also proposed that any costs recorded in the LREMBA be reviewed in the next General Rate Case after they are recorded and that the depreciation life used to calculate the revenue requirement for the License Renewal project be 30 years instead of the 10-year depreciation life proposed by PG&E.

4. TURN also served testimony addressing PG&E’s request on August 18, 2010. Like DRA, TURN expressed concern about the uncertainty of some of the cost assumptions in PG&E’s cost effectiveness analysis and presented scenarios in which continued DCPP operations would not be the most cost effective option for PG&E’s customers. TURN submitted a ratepayer protection proposal which would have created a rebuttable presumption that costs incurred above PG&E’s forecast and capacity factors lower than PG&E’s forecast were unreasonable.

5. On September, 17, 2010, PG&E served rebuttal testimony supporting the $85 million in License Renewal project costs and challenging the cost assumptions used in TURN’s cost effectiveness analysis and scenarios and its ratepayer protection proposal.

6. On or about September 20, 2010, PG&E, TURN and DRA communicated about the possibility of reaching a compromise of the disputed issues in PG&E’s License Renewal application. On September 27, 2010, PG&E sent a proposed framework for compromise to TURN and DRA for their consideration in advance of an October 5, 2010 meeting. At the October 5 meeting, the Parties reached a preliminary compromise, subject to TURN providing some additional information regarding a cost effectiveness update. On Monday, October 11, 2010, the Parties reached an agreement in principle, compromising on the revenue requirement and cost effectiveness issues as set forth in paragraphs 8-11 below.

7. Pursuant to Rule 12.1(b), on October 11, 2010, the Parties requested that the ALJ suspend hearings and permit parties to serve a notice of settlement conference. The ALJ granted this request and the Parties served notice to all parties on the service list
for Docket A.10-01-022 that a settlement conference would occur at 10:00 am on October 18, 2010 at the Commission.

**AGREEMENT**

As a compromise of their respective litigation positions and subject to the Recital and Reservations set forth in this document, the Parties hereby agree to resolve fully the disputed issues raised in the testimony of TURN and DRA with regard to PG&E’s License Renewal Application, A.10-01-022 as follows:

8. The Parties agree that in all future General Rate Cases and applications filed by PG&E between now and 2024 in which PG&E seeks approval for new capital projects or annual O&M expenditures at Diablo Canyon in excess of $20 million (excluding the Nuclear Decommissioning Cost Triennial Proceeding), PG&E shall provide the following information as part of its showing:

   (1) An updated cost-effectiveness analysis for operating Diablo Canyon through the remainder of its license life (including a 20-year NRC renewal). The cost-effectiveness analysis shall apply the same approach developed in A.10-01-022 and compare Diablo Canyon operations to the following alternative resource options -- CC (low/medium/high gas with low/medium/high CO2 price).

   (2) Disclosure of all material inputs used in the cost-effectiveness analysis including forecasted annual O&M, capital and fuel costs, and expected annual capacity factors.

   (3) A reconciliation of the inputs identified in (2) with the inputs relied upon for previous cost-effectiveness analyses. This reconciliation should explain the reasons for any increases or decreases relative to previous forecasts.

   (4) A listing of any known unquantified risks that may significantly impact the economics of project operations through the forecasted period.

9. The Parties agree that a License Renewal project forecast of $80 million is reasonable. PG&E may seek separate recovery of any additional amounts incurred for license renewal activities, subject to a reasonableness review, in its next General Rate Case.
10. The Parties agree that rate recovery of the revenue requirement for the License Renewal project will be calculated using a 30-year remaining life beginning when and if the Nuclear Regulatory Commission grants renewed operating licenses for Diablo Canyon operations. The remaining life will be adjusted in the event that Diablo Canyon operations are not extended for the additional 20 years.

11. The Parties agree that any costs recorded in the LREMBA will be reviewed in the next General Rate Case after they are recorded.

**RESERVATIONS**

12. The Parties agree that this Settlement Agreement represents a compromise, not agreement or endorsement of disputed facts and law presented by the Parties in the License Renewal Application.

13. The Parties shall jointly request Commission approval of this Settlement Agreement. The Parties additionally agree to actively support prompt approval of the Settlement Agreement. Active support shall include briefing, comments on the proposed decision, written and oral testimony if testimony is required, appearances, and other means as needed to obtain the approvals sought. The Parties further agree to participate jointly in briefings to Commissioners and their advisors as needed regarding the Settlement Agreement and the issues compromised and resolved by it.

14. This Settlement Agreement embodies the entire understanding and agreement of the Parties with respect to the matters described herein, and, except as described herein, supersedes and cancels any and all prior oral or written agreements, principles, negotiations, statements, representations or understandings among the Parties.

15. The Settlement Agreement may be amended or changed in this or future proceedings only by a written agreement signed by all settling Parties. Parties may not unilaterally Petition or request that the Commission modify this Settlement Agreement.

16. The Parties have bargained earnestly and in good faith to achieve this Settlement Agreement. The Parties intend the Settlement Agreement to be interpreted
and treated as a unified, interrelated agreement. The Parties therefore agree that if the Commission fails to approve the Settlement Agreement as reasonable, and adopt it unconditionally and without modification, including the findings and determinations requested herein, any Party may in its sole discretion, elect to terminate the Settlement Agreement. The Parties further agree that any material change to the Settlement Agreement shall give each Party in its sole discretion, the option to terminate the Settlement Agreement. In the event the Settlement is terminated, the Parties will request that the unresolved issues in Application 10-01-022 be heard and briefed at the earliest convenient time.

17. This Settlement Agreement represents a compromise of respective litigation positions and is not intended to establish binding precedent for any future proceeding. The Parties have assented to the terms of this Settlement Agreement only for the purpose of arriving at the compromise embodied herein.

18. Each of the Parties hereto and their respective counsel and advocates have contributed to the preparation of this Settlement Agreement. Accordingly, the Parties agree that no provision of this Settlement Agreement shall be construed against any Party because that Party or its counsel drafted the provision.

19. This document may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

20. This Settlement Agreement shall become effective among the Parties on the date the last Party executes the Settlement as indicated below.

In witness whereof, intending to be legally bound, the signatories hereto have duly executed this Settlement Agreement on behalf of the Parties they represent.

//
//
PACIFIC GAS AND ELECTRIC COMPANY
By: [Signature]
Name: William V. Manheim
Date: November 15, 2010

THE DIVISION OF RATEPAYER ADVOCATES
By: __________________________
Name: __________________________
Date: __________________________

THE UTILITY REFORM NETWORK
By: __________________________
Name: __________________________
Date: __________________________
PACIFIC GAS AND ELECTRIC COMPANY
By: ______________________
Name: ______________________
Date: ______________________

THE DIVISION OF RATEPAYER ADVOCATES
By: ______________________
Name: Joseph P. Cava
Date: 11/15/10

THE UTILITY REFORM NETWORK
By: ______________________
Name: ______________________
Date: ______________________
PACIFIC GAS AND ELECTRIC COMPANY
By: ______________________
Name: ____________________
Date: ______________________

THE DIVISION OF RATEPAVER ADVOCATES
By: ______________________
Name: ____________________
Date: ______________________

THE UTILITY REFORM NETWORK
By: ______________________
Name: Matt Freedman
Date: November 16, 2010
CERTIFICATE OF SERVICE BY ELECTRONIC MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department, 77 Beale Street - B30A, San Francisco, CA 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On the 16th day of November, 2010, I served a true copy of:

JOINT MOTION OF PACIFIC GAS AND ELECTRIC COMPANY, THE DIVISION OF RATEPAYER ADVOCATES AND THE UTILITY REFORM NETWORK FOR APPROVAL OF SETTLEMENT AGREEMENT

[XX] By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for A.10-01-022.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 16th day of November, 2010 at San Francisco, California.

/s/
DONNA LEE
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<tr>
<th>Case Coordination</th>
<th>Pacific Gas and Electric Company</th>
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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric
Company for Approval to Recover the Costs
Associated with Renewal of the Diablo
Canyon Power Plant Operating Licenses.

Application No. 10-01-022

JOINT REPLY OF PACIFIC GAS AND ELECTRIC COMPANY, THE DIVISION
OF RATEPAYER ADVOCATES AND THE UTILITY REFORM NETWORK TO
COMMENTS OF THE ALLIANCE FOR NUCLEAR RESPONSIBILITY,
SIERRA CLUB, CAL PIRG AND THE ENVIRONMENTAL RESEARCH AND
POLICY CENTER OPPOSING THE SETTLEMENT AGREEMENT

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Attorney for TURN

December 30, 2010
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric
Company to Recover the Costs Associated
with Renewal of the Diablo Canyon Power
Plant Operating Licenses.

Application No. 10-01-022

JOINT REPLY OF PACIFIC GAS AND ELECTRIC COMPANY, THE
DIVISION OF RATEPAVER ADVOCATES AND THE UTILITY REFORM
NETWORK TO COMMENTS OF THE ALLIANCE FOR NUCLEAR
RESPONSIBILITY, SIERRA CLUB, CAL PIRG AND THE ENVIRONMENTAL
RESEARCH AND POLICY CENTER OPPOSING THE SETTLEMENT
AGREEMENT

Pacific Gas and Electric Company (PG&E), the Division of Ratepayer Advocates
(DRA) and The Utility Reform Network (TURN) (collectively, the “Settling Parties”) submit this response to the Comments of the Alliance for Nuclear Responsibility, Sierra Club, Cal PIRG and the Environmental Research and Policy Center (collectively, “A4NR”) opposing the settlement agreement submitted on November 16, 2010, resolving all issues raised by the Settling Parties in this proceeding. A4NR asserts that the settlement does not meet the requirements of Rule 12.1 of the Commission’s Rules of Practice and Procedure that a settlement be reasonable in light of the whole record, consistent with the law and in the public interest. Therefore, A4NR opposes the settlement, absent the addition of four proposed “amendments.”

1/ Californians for Renewable Energy (“CARE”) also filed comments opposing the settlement agreement. CARE’s opposition is based on the assertion that CARE’s attorney failed to receive proper notice of the settlement, as required by Commission rules. The Settling Parties have confirmed that CARE’s attorney is on the service list for the proceeding and that all Commission rules governing appropriate service were followed.
A4NR is wrong. The settlement represents a reasonable resolution of the pleadings, testimony and reports presented to the Commission in this proceeding, is consistent with the law, including Decision (D.) 07-03-044. And, it benefits the public by preserving the option to operate Diablo Canyon for an additional 20 years beyond expiration of the current operating licenses, provided PG&E demonstrates between now and the date the current operating licenses expire that continued operation remains cost effective.

A4NR’s proposed "amendments" are not amendments at all. They represent a complete rejection PG&E’s application to recover from PG&E’s customers the cost to pursue the federal and state approvals associated with license renewal. This result is contrary to the agreement of the Settling Parties.

The Settling Parties reached an appropriate compromise on the issues raised in this proceeding. The settlement is reasonable in light of the evidence presented to the Commission, consistent with the law and in the public interest. Accordingly, the Settling Parties request that the Commission approve the Settlement Agreement without modification.

I. PG&E’S APPLICATION MEETS THE REQUIREMENTS OF DECISION 07-03-044.

A4NR incorrectly asserts that D. 07-03-044 requires that PG&E wait until receiving the outcome of seismic studies authorized by Assembly Bill (AB) 1632 prior to seeking approval from the Commission to file a license renewal application at the Nuclear Regulatory Commission (“NRC”). In D. 07-03-044, the Commission, did a number of things. It adopted a generation revenue requirement for PG&E which included funding for the license renewal feasibility study. It ordered PG&E to address the findings
and recommendations of the California Energy Commission (“CEC”) reflected in the nuclear assessment required of the CEC by AB 1632. And, it directed PG&E to file an application with the Commission, by no later than June 30, 2011, including the license renewal feasibility study (LRFS) and addressing whether license renewal is cost effective and in the best interest of PG&E’s customers. These directives are consistent with the Commission’s authority and oversight of Diablo Canyon.

The CEC undertook the assessment required by AB 1632 and, in November 2008, issued a report recommending that PG&E: (1) assess the results of ongoing seismic studies at and around Diablo Canyon and undertake additional studies using three dimensional seismic mapping techniques; (2) analyze the lessons learned from the Kahiwazaki-Kariwa plant experience in response to the 2007 earthquake in Japan to determine whether it would be appropriate to implement any seismic modifications or retrofits at Diablo Canyon in order to avoid an extended shut down in the wake of a major seismic event; (3) update the evacuation study of the Diablo Canyon access roads and surrounding roads; (4) study the local impacts resulting from shut down of Diablo Canyon and compare that impact with alternate uses of the site; (5) assess low level waste disposal costs for waste generated from a 20-year license extension; and (6) study alternative power generation options to quantify the reliability, economic and environmental impacts of replacement power options. As A4NR notes, Commission President Peevey subsequently requested that PG&E submit the results of these assessments to the Commission.

PG&E filed Application 10-01-014 to request Commission approval to recover the cost to complete the 3-D seismic studies recommended by the CEC. The Application
was unopposed, and the Commission granted PG&E’s request in Decision 10-08-003. Additionally, D.10-08-003 established an Independent Peer Review Panel with representatives from the CEC, the California Coastal Commission and other state agencies interested in seismic issues, to conduct a peer review of PG&E’s seismic studies and to comment on the seismic study proposals and study results.

In filing Application 10-01-022, PG&E submitted the LRFS, in its entirety, as Attachment 2.1. For items related to ongoing operations subject to regulation under NRC’s regulatory oversight program, seismic safety and emergency planning, PG&E provided responsive information to the Commission by letter to Commissioner Peevey dated January 29, 2010. On April 12, 2010, PG&E submitted to the Commission, and served on the parties to this proceeding, the following reports: (1) PG&E’s Responses to Kashiwazaki-Kariwa Nuclear Power Station Lessons Learned; (2) Seismic Assessment of Diablo Canyon Power Plant Non-Safety Related Structures, Systems and Components; and (3) Local Economic Impacts of Decommissioning Diablo Canyon Power Plant.

Low level radioactive waste disposal costs associated with the extended period of operations were presented in Chapter 3 of PG&E’s testimony, “Ongoing Costs to Operate Diablo Canyon Power Plant” and were included in the cost effectiveness analysis presented in Chapter 5. The economic and reliability impacts of alternate generation resources were addressed in Chapter 4, “Replacement Energy Costs.” Additionally, PG&E submitted, as Attachment 6.1 to the Application, the federal Environmental Report supporting its application to the NRC to renew the Diablo Canyon operating licenses which, among other things, addresses the environmental impacts of alternative generation resources.
Thus, PG&E’s Application, the proceeding, and the settlement, are consistent with the law. A4NR’s suggestion to the contrary is simply wrong.

II. THE PLEADINGS, TESTIMONY AND REPORTS SUBMITTED TO THE COMMISSION AND SERVED ON ALL PARTIES TO THIS PROCEEDING SUPPORT ADOPTION OF THE SETTLEMENT

A4NR’s reference to the lack of a “record” in this proceeding is not correct. The pleadings, testimony and reports submitted to the CPUC and served on parties to the proceeding support adoption of the settlement. All parties to this proceeding, including A4NR, had the opportunity to review all of this information and to file testimony addressing any deficiencies or presenting any alternatives to PG&E’s request to recover the costs associated with obtaining the federal and state authorizations required to operate Diablo Canyon for an additional 20 years beyond expiration of the current operating licenses.

DRA submitted testimony asserting that processing PG&E’s application before completion of the CEC-recommended seismic studies was reasonable. However, DRA questioned PG&E’s license renewal project cost estimate, recommended an alternate depreciation method, called for review of costs recorded in the proposed License Renewal Environmental Mitigation Balancing Account (LREMBA), and noted the uncertainty of some of the cost assumptions used in PG&E’s cost effectiveness analysis, e.g., the absence of costs for installing alternative cooling technology at Diablo Canyon.

TURN submitted testimony expressing concern with the uncertainty of some of the cost assumptions used in PG&E’s cost effectiveness analysis. To illustrate its concerns, TURN presented scenarios in which continued DCPP operations would not be the most cost effective option of PG&E’s customers. TURN recommended a ratepayer protection plan to shield PG&E’s customers from these uncertainties.
Southern California Edison Company (SCE) submitted testimony asserting that processing PG&E’s application before PG&E completes the CEC-recommended seismic studies is reasonable. In support, SCE pointed out that PG&E had already completed studies of the Shoreline Fault through its Long Term Seismic Program, and had concluded that Diablo Canyon is seismically designed to withstand a larger, more severe earthquake than a potential earthquake along the Shoreline Fault. SCE also noted that the NRC had independently confirmed PG&E’s studies. SCE also supported the use of contingency to develop capital cost estimates.

PG&E served rebuttal testimony responding to the issues raised by TURN and DRA. A4NR also submitted rebuttal testimony, opposing the position taken by SCE and DRA that the Commission could consider PG&E’s application pending completion of the 3-D seismic studies recommended by the CEC. As it has in its comments opposing the settlement, A4NR asserted that the Commission can not consider PG&E’s application until after the CEC-recommended seismic studies are completed. PG&E moved to strike this inappropriate "rebuttal" testimony on October 11, 2010, on a number of grounds. That motion is currently pending before the ALJ.

The ALJ and the Commission may rely on the submissions made to date in this proceeding to support a determination that the settlement is reasonable in light of the whole record, consistent with the law and in the public interest.

III. EVIDENTIAL HEARINGS ARE NOT NECESSARY

An evidentiary hearing is not required for the Commission to approve a negotiated resolution to a proceeding. If there are no material contested issues of fact, or if the contested issue is one of law, the Commission may decline to set hearing. (CPUC Rules of Practice and Procedure, Rule 12.3.) In its comments, A4NR does not raise any
material issue of disputed fact requiring hearings on the settlement. In fact A4NR’s comments fail to address the terms of the settlement itself; instead, they oppose the settlement generically, on legal and policy grounds. As discussed in Section I, A4NR’s primary argument is that the Commission should reject A. 10-01-022, and any cost recovery request associated with Diablo Canyon license renewal proceedings, until after PG&E has completed ongoing seismic studies at Diablo Canyon. The Commission can make a final determination on this legal issue without evidentiary hearings.

IV. THE SETTLEMENT AGREEMENT REASONABLY RESOLVES THE ISSUES RAISED AND ADDRESSED IN THIS PROCEEDING.

The settlement reflects compromise on all of the issues raised by the Settling Parties: the cost estimate for the license renewal project, the depreciation method, and the review of the LREMBA. The settlement also addresses concerns with uncertainty surrounding cost assumptions used in the cost effectiveness analysis supporting PG&E’s application by requiring PG&E to update those assumptions, as well as the cost effectiveness analysis, in all future General Rate Cases and Applications filed by PG&E between now and 2024 in which PG&E seeks approval for new capital projects or annual O&M expenditures at Diablo Canyon in excess of $20 million (excluding the Nuclear Decommissioning Cost Triennial Proceeding).

In addition to addressing concerns raised by DRA and TURN, this element of the settlement addresses A4NR’s concerns that the results of ongoing seismic studies may require costly retrofits, that PG&E may be required to install alternative cooling technology at Diablo Canyon and that PG&E may need to build another Independent Spent Fuel Storage Installation at Diablo Canyon. The Commission will have an opportunity to determine whether costs associated with any (or all) of these possibilities
creates a situation where continued operation of Diablo Canyon is not the most cost
effective option for PG&E’s customers.

V. THE COMMISSION SHOULD REJECT A4NR’S PROPOSED
AMENDMENTS

A4NR requests that the Commission reject the settlement absent the addition of
all four of its amendments. None of the proposed amendments A4NR proposes is
enforceable. Amendment 1 would require “all California agencies with primary
jurisdiction for assuring the reliability and economics of energy generation” to approve
the full development of all parameters of AB 1632 prior to approval of ratepayer funding
for the license renewal process or operation of Diablo Canyon beyond 2025. The CPUC
is the only California agency with legal authority to grant or deny rate recovery from
PG&E’s customers.

Amendments 2 and 3, which would preclude state approval for Diablo Canyon
operations beyond 2025, address issues unrelated to the issues raised in this proceeding
and resolved by the settlement: the state policy addressing once through cooling
technology and a permanent, offsite repository for spent nuclear fuel. PG&E has not
requested to recover the cost to operate Diablo Canyon beyond 2025; at issue in this
proceeding is rate recovery of the costs to obtain the federal and state authorizations
associated with a 20-year license extension for Diablo Canyon operations. This is the
request addressed and resolved by the settlement.

Likewise, Amendment 4 addresses an issue unrelated to the issues raised in this
proceeding and resolved by the settlement – the type of generation resources PG&E
should develop at the Diablo Canyon site in the event the results of seismic studies render
continued operation uneconomic. If such a situation arises, PG&E will, necessarily,
review and consider all of the generation resources available to replace Diablo Canyon’s 2300 MW. Including or requiring this commitment in the settlement of A. 10-01-022 is not appropriate.

VI. CONCLUSION

For all of these reasons, the Settling Parties respectfully request that the Commission approve the Settlement Agreement without amendment.

Respectfully Submitted on behalf of all Settlement Parties under Rule 1.8 (d),

WILLIAM V. MANHEIM
MARK D. PATRIZIO
JENNIFER K. POST

By: /s/ JENNIFER K. POST

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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: December 30, 2010
CERTIFICATE OF SERVICE BY ELECTRONIC MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department, 77 Beale Street - B30A, San Francisco, CA 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On the 30th day of December, 2010, I served a true copy of:


[XX]  By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for A.10-01-022.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 30th day of December, 2010 at San Francisco, California.

/s/ DONNA LEE
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### TABLE 6-1
PACIFIC GAS AND ELECTRIC COMPANY
SUMMARY TABLE OF DIRECT COSTS NRC PROCESS AND ASSOCIATED COSTS

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Description</th>
<th>Cost (in $ Thousands)</th>
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<td>1</td>
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<td>Safety/Technical Review</td>
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<td>Advisory Committee on Reactor Safeguards (ACRS)</td>
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<td>4</td>
<td>Environmental Review</td>
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<td>NRC Staff Review Fees</td>
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<td>Total NRC Process and Associated Costs</td>
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### TABLE 6-2
PACIFIC GAS AND ELECTRIC COMPANY
LICENSE RENEWAL APPLICATION PREPARATION

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<td>Consultant Eng. – Civil Structural Aging Evaluation</td>
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<td>9</td>
<td>Environmental Report</td>
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# TABLE 6-3
PACIFIC GAS AND ELECTRIC COMPANY
SAFETY/TECHNICAL REVIEW

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### TABLE 6-4
PACIFIC GAS AND ELECTRIC COMPANY
ADVISORY COMMITTEE ON REACTOR SAFEGUARDS (ACRS)

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<th>Line No.</th>
<th>Organization</th>
<th>Duration (FTE Months)</th>
<th>Cost (in $ Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Advisory Committee on Reactor Safeguards (ACRS)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>PG&amp;E Technical Staff</td>
<td>5.09</td>
<td>$137</td>
</tr>
<tr>
<td>3</td>
<td>Worley Parsons (Including Document Closeout)</td>
<td>1.20</td>
<td>50</td>
</tr>
<tr>
<td>4</td>
<td>ACI</td>
<td>0.60</td>
<td>25</td>
</tr>
<tr>
<td>5</td>
<td>Enercon</td>
<td>0.36</td>
<td>15</td>
</tr>
<tr>
<td>6</td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$227</strong></td>
</tr>
</tbody>
</table>

### TABLE 6-5
PACIFIC GAS AND ELECTRIC COMPANY
ENVIRONMENTAL REVIEW

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Organization</th>
<th>Duration (FTE Months)</th>
<th>Cost (in $ Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Environmental Review</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Sufficiency Review</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>PG&amp;E Technical Staff</td>
<td>0.48</td>
<td>$13</td>
</tr>
<tr>
<td>4</td>
<td>Consulting Engineers</td>
<td>0.12</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td><strong>Onsite Audits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>PG&amp;E Technical Staff</td>
<td>4.31</td>
<td>116</td>
</tr>
<tr>
<td>7</td>
<td>Consulting Engineers</td>
<td>1.44</td>
<td>60</td>
</tr>
<tr>
<td>8</td>
<td><strong>Requests for Additional Information</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>PG&amp;E Technical Staff</td>
<td>4.31</td>
<td>116</td>
</tr>
<tr>
<td>10</td>
<td>Consulting Engineers</td>
<td>1.44</td>
<td>60</td>
</tr>
<tr>
<td>11</td>
<td><strong>Supplemental Environmental Impact Statement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>PG&amp;E Technical Staff</td>
<td>2.87</td>
<td>77</td>
</tr>
<tr>
<td>13</td>
<td>Consulting Engineers</td>
<td>0.84</td>
<td>35</td>
</tr>
<tr>
<td>14</td>
<td><strong>Historic Properties Management Plan</strong></td>
<td></td>
<td>300</td>
</tr>
<tr>
<td>15</td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$782</strong></td>
</tr>
</tbody>
</table>
### Table 6-6
**Pacific Gas and Electric Company**  
Severe Accident Mitigation Alternatives (SAMA)

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Organization</th>
<th>Duration (FTE Months)</th>
<th>Cost (in $ Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Severe Accident Mitigation Alternatives (SAMA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>PG&amp;E Technical Staff</td>
<td>2.75</td>
<td>$77</td>
</tr>
<tr>
<td>3</td>
<td>Consulting Engineers</td>
<td>0.96</td>
<td>40</td>
</tr>
<tr>
<td>4</td>
<td>Erin Engineering</td>
<td>2.40</td>
<td>100</td>
</tr>
<tr>
<td>5</td>
<td>Total</td>
<td></td>
<td>$217</td>
</tr>
</tbody>
</table>

### Table 6-7
**Pacific Gas and Electric Company**  
Adjudicatory Process

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Organization</th>
<th>Duration (FTE Months)</th>
<th>Cost (in $ Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Adjudicatory Process</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>PG&amp;E Legal – Outside Counsel</td>
<td>21.26</td>
<td>$1,775</td>
</tr>
<tr>
<td>3</td>
<td>Expert Witness</td>
<td>7.19</td>
<td>300</td>
</tr>
<tr>
<td>4</td>
<td>Worley Parsons</td>
<td>2.40</td>
<td>100</td>
</tr>
<tr>
<td>5</td>
<td>SIA</td>
<td>0.60</td>
<td>25</td>
</tr>
<tr>
<td>6</td>
<td>Westinghouse</td>
<td>1.20</td>
<td>50</td>
</tr>
<tr>
<td>5</td>
<td>Total</td>
<td></td>
<td>$2,250</td>
</tr>
</tbody>
</table>

### Table 6-8
**Pacific Gas and Electric Company**  
Project Management Costs

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Organization</th>
<th>Duration (FTE Months)</th>
<th>Cost (in $ Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Project Team</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Project Manager</td>
<td>66</td>
<td>$2,200</td>
</tr>
<tr>
<td>3</td>
<td>Assistant Project Manager</td>
<td>66</td>
<td>2,200</td>
</tr>
<tr>
<td>4</td>
<td>Representative at COB</td>
<td>42</td>
<td>1,281</td>
</tr>
<tr>
<td>5</td>
<td>2 FTE Project Managers</td>
<td>132</td>
<td>4,400</td>
</tr>
<tr>
<td>6</td>
<td>Project Engineers</td>
<td>396</td>
<td>4,290</td>
</tr>
<tr>
<td>7</td>
<td>Project Admin. &amp; Tech. Assistant</td>
<td>36</td>
<td>408</td>
</tr>
<tr>
<td>8</td>
<td>Gov. Rel.</td>
<td>6</td>
<td>203</td>
</tr>
<tr>
<td>9</td>
<td>Communications</td>
<td>5</td>
<td>177</td>
</tr>
<tr>
<td>10</td>
<td>SLO Facility Cost Incl. Office Expenses</td>
<td></td>
<td>550</td>
</tr>
<tr>
<td>11</td>
<td>Travel</td>
<td></td>
<td>303</td>
</tr>
<tr>
<td>12</td>
<td>COB STARS Facility</td>
<td></td>
<td>450</td>
</tr>
<tr>
<td>13</td>
<td>Total</td>
<td></td>
<td>$16,472</td>
</tr>
</tbody>
</table>
ATTACHMENT 3
### TABLE 7-1
**PACIFIC GAS AND ELECTRIC COMPANY**
**SUMMARY TABLE OF DIRECT COSTS – STATE PROCESS AND ASSOCIATED COSTS**

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coastal Development Permit</td>
<td>6,487</td>
</tr>
<tr>
<td>2</td>
<td>Other State Process</td>
<td>1,434</td>
</tr>
<tr>
<td>3</td>
<td>Total State Process and Associated Costs</td>
<td>7,921</td>
</tr>
</tbody>
</table>

### TABLE 7-2
**PACIFIC GAS AND ELECTRIC COMPANY**
**COASTAL DEVELOPMENT PERMIT**

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Organization</th>
<th>Duration (FTE Months)</th>
<th>Cost (in $ Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>County Permit Processing Fees</td>
<td></td>
<td>$3,500</td>
</tr>
<tr>
<td>2</td>
<td>PGE Technical Staff</td>
<td>9.58</td>
<td>257</td>
</tr>
<tr>
<td>3</td>
<td>Legal Services</td>
<td>18.56</td>
<td>1,550</td>
</tr>
<tr>
<td>4</td>
<td>Permitting Consultant</td>
<td>10.1</td>
<td>555</td>
</tr>
<tr>
<td>5</td>
<td>Application Preparation Consultants</td>
<td>11.98</td>
<td>500</td>
</tr>
<tr>
<td>6</td>
<td>Coastal Commission Acceleration Fee</td>
<td></td>
<td>125</td>
</tr>
<tr>
<td>7</td>
<td>Total</td>
<td></td>
<td>$6,487</td>
</tr>
</tbody>
</table>

### TABLE 7-3
**PACIFIC GAS AND ELECTRIC COMPANY**
**OTHER STATE PROCESS**

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Organization</th>
<th>Duration (FTE Months)</th>
<th>Cost (in $ Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CEC Recommendations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>PGE Technical Staff</td>
<td>3.11</td>
<td>$84</td>
</tr>
<tr>
<td>3</td>
<td>Consulting Engineers</td>
<td>10.78</td>
<td>450</td>
</tr>
<tr>
<td>4</td>
<td>CEC Recommendations Consultants</td>
<td>11.98</td>
<td>900</td>
</tr>
<tr>
<td>5</td>
<td>Total</td>
<td></td>
<td>$1,434</td>
</tr>
</tbody>
</table>
ATTACHMENT 4
<table>
<thead>
<tr>
<th>Line No.</th>
<th>Description</th>
<th>2009 Direct Dollars</th>
<th>Escalation</th>
<th>Capital A&amp;G</th>
<th>AFUDC</th>
<th>Contingency</th>
<th>Total Financial Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Project Team</td>
<td>16,472</td>
<td>578</td>
<td>1,616</td>
<td>8,421</td>
<td>3,783</td>
<td>28,850</td>
</tr>
<tr>
<td>2</td>
<td>License Renewal Application Preparation</td>
<td>2,496</td>
<td>97</td>
<td>21</td>
<td>893</td>
<td>1,395</td>
<td>4,883</td>
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<tr>
<td>3</td>
<td>Safety/Technical Review</td>
<td>7,273</td>
<td>255</td>
<td>412</td>
<td>2,732</td>
<td>4,299</td>
<td>14,942</td>
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<tr>
<td>4</td>
<td>Environmental Review</td>
<td>782</td>
<td>27</td>
<td>49</td>
<td>295</td>
<td>481</td>
<td>1,614</td>
</tr>
<tr>
<td>5</td>
<td>Severe Accident Mitigation Alternatives</td>
<td>217</td>
<td>8</td>
<td>12</td>
<td>81</td>
<td>127</td>
<td>445</td>
</tr>
<tr>
<td>6</td>
<td>Adjudicatory Process</td>
<td>2,250</td>
<td>79</td>
<td>0</td>
<td>801</td>
<td>1,252</td>
<td>4,382</td>
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<tr>
<td>7</td>
<td>NRC Staff Review Fees</td>
<td>8,745</td>
<td>307</td>
<td>0</td>
<td>3,114</td>
<td>1,825</td>
<td>13,991</td>
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<tr>
<td>8</td>
<td>Advisory Committee on Reactor Safeguards Permit</td>
<td>227</td>
<td>8</td>
<td>21</td>
<td>88</td>
<td>51</td>
<td>365</td>
</tr>
<tr>
<td>9</td>
<td>Coastal Development Permit</td>
<td>6,487</td>
<td>228</td>
<td>39</td>
<td>2,323</td>
<td>3,831</td>
<td>12,708</td>
</tr>
<tr>
<td>10</td>
<td>Other State Processes</td>
<td>1,434</td>
<td>50</td>
<td>13</td>
<td>515</td>
<td>805</td>
<td>2,816</td>
</tr>
<tr>
<td>11</td>
<td>Total</td>
<td>46,373</td>
<td>1,628</td>
<td>2,182</td>
<td>17,263</td>
<td>17,579</td>
<td>85,024</td>
</tr>
</tbody>
</table>
ATTACHMENT 5
Ms. Rochelle Becker  
Alliance for Nuclear Responsibility  
P.O. Box 1328  
San Luis Obispo, CA 93406

Dear Ms. Becker:

On behalf of the U.S. Nuclear Regulatory Commission (NRC), I am responding to your letter of February 2, 2010. In the time since I received your letter, my staff has worked closely with staff in NRC’s Region IV office to respond to your concerns. In order to better inform the local public about the NRC’s ongoing safety oversight, the staff plans to hold a public meeting in California in September to further discuss the NRC’s role and actions regarding seismic issues.

In your letter, you requested that the NRC staff halt its review of the Diablo Canyon Power Plant, Units 1 and 2 (DCPP) license renewal application until State-requested seismic studies have been completed. The State, in this case, has separate requirements for seismic evaluations that stem from State laws and regulatory oversight for issues like electric grid reliability, electric ratemaking, and coastal land management. The NRC staff has coordinated with the State on issues related to its jurisdiction and will continue to do so.

At this time, it is not necessary for the NRC staff to delay the reviews it recently began of the license renewal application submitted by Pacific Gas and Electric (PG&E) for DCPP. PG&E submitted its application for the license renewal of DCPP in November 2009, within the timeframe allowed under NRC rules. The NRC staff then evaluated the application and found that it met the standards necessary to begin a formal review of the application. The NRC’s safety and environmental review processes take a minimum of 22 months to complete.

It is important to note that this license renewal review will not affect the ongoing safety oversight process within which the NRC staff will continue to address seismic issues. The NRC staff is involved on a daily basis in monitoring and inspecting the operations at DCPP. By addressing seismic issues within the agency’s ongoing safety oversight of the power plant, the NRC staff is able to quickly respond to new information, as the agency demonstrated when it monitored the response by PG&E to the discovery of the Shoreline Fault.

Should information at any time now or in the future, regardless of whether the NRC is performing a license renewal review, show that there is a basis to question the continued safe operation of DCPP, the NRC will take the appropriate actions as part of the agency’s ongoing safety oversight. The NRC staff will continue to monitor assessments of the Shoreline Fault and other seismic issues around DCPP and ensure that the power plant’s safety systems remain capable of safely shutting the plant down in case of a seismic event.
Finally, your letter raised concerns about the NRC's openness and transparency in terms of the staff's outreach efforts during the DCPP license renewal review and during the ongoing update of NUREG-1437, "Generic Environmental Impact Statement for License Renewal of Nuclear Plants," also known as the GEIS. Regarding public outreach during the DCPP license renewal review, the NRC has held a total of four public meeting sessions on two different dates to answer the public's questions and to receive public comments about environmental issues. During these public meetings, the NRC staff presented information about license renewal and supplemented this information with a variety of background materials. I understand that members of your organization were able to participate in the meetings, and I also understand that the NRC staff made special accommodations so that you could present your comments by video during one of the environmental scoping sessions. Regarding the update to NUREG-1437, the NRC staff held public meetings as part of an ongoing public rulemaking process to update existing NRC guidance. During this process, NRC staff scheduled one meeting in each of NRC's four regions, as well as a webinar meeting from NRC headquarters. The NRC staff scheduled an additional public meeting in California to respond to stakeholder interest in the NUREG-1437 revision process.

I appreciate your time and interest in contacting the NRC. The NRC staff will contact you to ensure that your organization can be represented at the upcoming public meeting on seismic issues. The NRC staff will also contact representatives from the State of California regarding the upcoming meeting, to ensure that they are able to attend. Should you have additional questions about the DCPP license renewal review process or concerns about the oversight of the plant's safe operation, I invite you to contact Mr. David Wrona, Chief of Renewal Projects Branch 2 in the Division of License Renewal, at 301-415-2292.

Sincerely,

[Signature]

Eric J. Leeds, Director
Office of Nuclear Reactor Regulation

cc: See next page
 Diablo Canyon Nuclear Power Plant  
Units 1 and 2

cc:

Chairman  
San Luis Obispo County Board of Supervisors  
1055 Monterey Street, Suite D430  
Room 370, County Government Center  
San Luis Obispo, CA 93408

Mr. James R. Becker, Site Vice President  
Pacific Gas & Electric Company  
Diablo Canyon Nuclear Power Plant  
P.O. Box 3, Mail Station 104/6/601  
Avila Beach, CA 93424

Ms. Jennifer Post, Esq.  
Pacific Gas & Electric Company  
77 Beale Street, Room 2496  
Mail Code B30A  
San Francisco, CA 94120

Mr. Gary W. Butner, Chief  
Radiological Health Branch  
Division of Food, Drug & Radiation Safety  
California Department of Public Health  
P.O. Box 997414, MS-7610  
Sacramento, California 95899-7414

Mr. Tony Brown  
NRC Resident Inspector  
Diablo Canyon Nuclear Power Plant  
c/o U.S. Nuclear Regulatory Commission  
P.O. Box 369  
Avila Beach, CA 93424

Mr. Michael Peck  
NRC Senior Resident Inspector  
Diablo Canyon Nuclear Power Plant  
c/o U.S. Nuclear Regulatory Commission  
P.O. Box 369  
Avila Beach, CA 93424

Regional Administrator, Region IV  
U.S. Nuclear Regulatory Commission  
Texas Health Resources Tower  
612 East Lamar Boulevard, Suite 400  
Arlington, TX 76011-4125

Mr. Terence L. Grebel  
Manager, Regulatory Projects  
Diablo Canyon Nuclear Power Plant  
P.O. Box 56  
Avila Beach, CA 93424

Mr. Truman Burns  
Mr. Robert Kinosian  
California Public Utilities Commission  
505 Van Ness, Room 4102  
San Francisco, CA 94102

Mr. James D. Boyd, Commissioner  
California Energy Commission  
1516 Ninth Street (MS 31)  
Sacramento, CA 95814

Mr. Brian Hembacher  
Deputy Attorney General  
300 South Spring Street, Suite 1702  
Los Angeles, CA 90013

Ms. Susan Durbin  
1300 I Street  
P.O. Box 944255  
Sacramento, CA 94244-2550

Mr. Tom Luster  
CA Coastal Commission  
45 Fremont Street, #2000  
San Francisco, CA 94105

Mr. Mark Johnsson  
CA Coastal Commission  
45 Fremont Street, #2000  
San Francisco, CA 94105
cc:

Mr. Eric Green  
505 Van Ness Avenue  
San Francisco, CA  94102-3214

Ms. Barbara Byron  
Senior Policy Advisor  
California Energy Commission  
1516 9th Street, MS 36  
Sacramento, CA  95814

Mr. Kevin Bell  
General Council  
California Energy Commission  
1516 9th Street, MS 36  
Sacramento, CA  95814

Ms. Rachel MacDonald  
Nuclear Policy Advisor  
California Energy Commission  
1516 9th Street, MS 36  
Sacramento, CA  95814

Mr. Bill Potter  
Senior Emergency Services Coordinator  
California Emergency Management Agency  
Radiological Preparedness Unit  
3650 Schriever Avenue  
Mather, CA  95655

Mr. Michael Warren  
California Emergency Management Agency  
Radiological Preparedness Unit  
3650 Schriever Avenue  
Mather, CA  95655

Mr. Chris Wills  
Supervising Geologist  
California Geological Survey  
801 K Street, MS 12-32  
Sacramento, CA  95814-3531

Mr. John G. Parrish, PhD  
State Geologist  
California Geological Survey  
801 K Street, Suite 1200  
Sacramento, CA  95814

Lieutenant Jim Epperson  
California Highway Patrol  
Commercial Vehicle Section  
601B North 7th Street  
Sacramento, CA  95811

Mr. Peter Von Lagen, PhD, PG  
895 Areovista Place, Suite 101  
San Luis Obispo, CA  93401

Mr. Burton Chadwick, PhD, PG  
Core Regulatory Permitting  
Central Coast Water Board  
895 Areovista Place, Suite 101  
San Luis Obispo, CA  93401

Ms. Jane Swanson  
San Luis Obispo Mothers for Peace  
P.O. Box 3608  
San Luis Obispo, CA  93403

Ms. Rochelle Becker, Executive Director  
Alliance for Nuclear Responsibility  
P.O. Box 1328  
San Luis Obispo, CA  93406-1328

Mr. John T. Conway, Senior Vice President,  
Generation and Chief Nuclear Officer  
Diablo Canyon Nuclear Power Plant,  
Units 1 and 2  
Pacific Gas & Electric Company  
77 Beale Street, MC B32  
San Francisco, CA  94105
PACIFIC GAS AND ELECTRIC COMPANY

STATEMENT OF QUALIFICATIONS OF JOSEPH F. O’FLANAGAN

Q 1 Please state your name and business address.
A 1 My name is Joseph F. O’Flanagan, and my business address is Pacific Gas and Electric Company, 77 Beale Street, San Francisco, California.

Q 2 Briefly describe your responsibilities at Pacific Gas and Electric Company (PG&E).
A 2 I am a director in the Energy Procurement organization and I am responsible for various regulatory matters.

Q 3 Please summarize your educational and professional background.
A 3 I received a bachelor of science degree in marine engineering from the United States Merchant Marine Academy at Kings Point, New York, in 1975. I also attended the Harvard Graduate School of Business Administration, where I was a candidate for a masters degree in business administration.

Prior to joining PG&E in 1979, I served as an engineering officer on ocean going merchant vessels. Prior to assuming my present position at PG&E, I held the positions of rate economist in the Rates Department, senior valuation engineer in the Valuation Department, supervisor in the Revenue Requirements Department, manager in the Rates, Market Planning and Research, and Revenue Requirements Departments, and director of the Budget, Tax, and Capital Accounting Departments.

Q 4 What is the purpose of your testimony?
A 4 I am sponsoring Chapters A, B.2 and B.3 of the Joint Prepared Testimony.

Q 5 Does this conclude your statement of qualifications?
A 5 Yes, it does.
PACIFIC GAS AND ELECTRIC COMPANY
STATEMENT OF QUALIFICATIONS OF LOREN D. SHARP

Q 1 Please state your name and business address.
A 1 My name is Loren D. Sharp, and my business address is 142 Cross Street,
Suite 200, San Luis Obispo, California.

Q 2 Briefly describe your responsibilities at Diablo Canyon Power Plant.
A 2 I am the senior director of Technical Services at Diablo Canyon. The license
renewal project staff, the license basis verification project staff, and Pacific
Gas and Electric Company (PG&E) corporate Geo-Sciences expertise team
all report to me. I report directly to the Diablo Canyon Engineering Services
Vice President.

Q 3 Please summarize your educational and professional background.
A 3 I received a bachelor of science degree in nuclear engineering, master of
science degree in nuclear engineering, professional engineer in mechanical
engineering, and senior reactor operator certification. I have a total of
35 years of experience with expertise in the following areas: engineering
design, plant operation, plant management, and project management.

I was hired by PG&E based on my plant management and project
management expertise to complete nuclear fuel assembly loading into
storage casks at Humboldt Bay Nuclear Plant. In addition, I was hired to
provide the leadership to transition the Humboldt site into the
Decommissioning phase after fuel cask loading was completed. I had been
part of the management team that successfully designed for
decommissioning for the Department of Defense Chemical weapons
demilitarization sites. I was a Vice President/Plant General Manager for
Raytheon/Washington Group International for ten years destroying nerve
agents or blister agents and provided the senior leadership for plants at
Johnston Island in the South Pacific, Umatilla in Oregon, Pueblo in
Colorado, Blue Grass in Kentucky, and Tirana in Albania.

Q 4 What is the purpose of your testimony?
A 4 I am sponsoring Chapters B.1, B.4 and C of the Joint Prepared Testimony.

Q 5 Does this conclude your statement of qualifications?
A 5 Yes, it does.
Qualifications Truman L. Burns from the Division of Ratepayer Advocates

Q.1 Please state your name and business address.
A.1 My name is Truman L. Burns. My business address is 505 Van Ness Avenue, San Francisco, California, 94102.

Q.2 By whom are you employed and in what capacity?
A.2 I am employed by the California Public Utilities Commission as a Public Utilities Regulatory Analyst V in the Division of Ratepayer Advocates Energy Cost of Service and Natural Gas Branch.

Q.3 Briefly describe your educational background and work experience.
A.3 I received a B.A. in Political Science and English and a M.A. in Political Science, State Politics and Policy Specialization, from the University of California, Davis. I received a J.D. from the University of San Francisco, and am a member of the California Bar. I joined the CPUC’s Special Economics Projects Branch in 1986. During my employment with the CPUC, I have performed various tasks, and have spent most of my time on electric utility regulation. I have testified before the Commission related to PG&E’s Diablo Canyon nuclear power plant (steam generator replacement cost effectiveness, nuclear decommissioning trust funds, target capacity factor, long-term operating costs, utility retained generation capital and operating costs) Humboldt Bay Unit No. 3 nuclear power plant (decommissioning trust funds and decommissioning costs) and Southern California Edison’s San Onofre Units 2 & 3 (utility retained generation capital and operating costs) and Unit 1 nuclear power plant (environmental costs and rate base recovery). I have also testified before the Atomic Safety and Licensing Board of the U.S. Nuclear Regulatory Commission regarding PG&E’s financial qualifications requirements for an independent spent fuel storage installation (ISFSI), and was appointed in 2004 to the National Association of Regulatory Utility Commissioners Staff Subcommittee on Nuclear Issues-Waste Disposal.

Q.4 What is your area of responsibility in this proceeding?
A.4 I am responsible for identifying DRA’s rationale of entering the settlement agreement with PG&E and TURN.

Q.5 Does that complete your Statement of Qualifications?
A.5 Yes, it does.