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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric
Company in its 2015 Nuclear
Decommissioning Cost Triennial
Proceeding

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Application No. 16-03-_____

**APPLICATION OF PACIFIC GAS AND ELECTRIC
COMPANY IN ITS 2015 NUCLEAR DECOMMISSIONING
COST TRIENNIAL PROCEEDING**

WILLIAM V. MANHEIM
CRAIG M. BUCHSBAUM
Pacific Gas and Electric Company
77 Beale Street
San Francisco, CA 94105
Telephone: (415) 973-4844
Facsimile: (415) 973-0516
E-mail: cmb3@pge.com

LINDSEY HOW-DOWNING
Law Offices
3060 El Cerrito Plaza #175
El Cerrito, CA 94530
Telephone: (510) 525-6039
Facsimile: (775) 562-6124
Email: lhowdowning@sbcglobal.net

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

March 1, 2016

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I. INTRODUCTION

Pacific Gas and Electric Company (PG&E or the Company) hereby submits its Application in this Nuclear Decommissioning Cost Triennial Proceeding (NDCTP)¹ in accordance with Sections 8321 *et seq.* of the California Public Utilities Code,² various California Public Utilities Commission (CPUC or Commission) decisions, and Article 2 of the Commission's Rules of Practice and Procedure. The purpose of the NDCTP is to provide a forum for the review of PG&E's updated nuclear decommissioning cost studies and ratepayer contribution analyses in support of requests to fully fund the nuclear decommissioning master trusts to the level needed to decommission PG&E's two nuclear plants, the Diablo Canyon Power Plant (Diablo Canyon) and Humboldt Bay Power Plant Unit 3 (HBPP); it does not provide an actual decommissioning plan. In addition, funds for operations and maintenance costs associated with the requirements of the HBPP Part 50 non-operating license (SAFSTOR

¹ This Application is for rates to be effective January 1, 2017. However, PG&E was recently informed that this NDCTP should be designated the "2015 NDCTP." Since PG&E did not learn of this request in time to change references in its prepared testimony, the testimony references the 2017 NDCTP.

² All Sections, unless otherwise indicated, refer to the California Public Utilities Code.

O&M) are included in this proceeding. PG&E also demonstrates the reasonableness of decommissioning projects at HBPP completed since the last NDCTP; PG&E's efforts to retain qualified personnel for decommissioning activities at HBPP and the variances in actual versus forecast SAFSTOR O&M expenses.

In this Application, PG&E requests that effective January 1, 2017 the Commission authorize PG&E to collect an estimated \$117.324 million in annual revenue requirements for contributions to the tax qualified Diablo Canyon ND Trusts for Units 1 and 2; and \$62.924 million in annual revenue requirements for contributions to the tax qualified HBPP Trust. As explained in more detail in PG&E's prepared testimony, to conform to the provisions of the Nuclear Decommissioning Act of 1985 (the Act), the actual revenue requirement request for 2017 for the Diablo Canyon decommissioning trusts will be revised by advice letter to conform with requirements of the Internal Revenue Service. This revision will be made to reflect the most-recent year-end trust balance for the Diablo Canyon revenue requirement contribution in order to prevent over-funding (or under-funding) of the trust. These revisions will also include information used in determining the revenue requirements, as adopted by the Commission, required for PG&E to obtain a favorable ruling from the Internal Revenue Service for qualified trust funding.

In addition to revenue requirements for funding the decommissioning trusts, PG&E is also requesting in this Application \$4.493 million in 2017 revenue requirements to cover SAFSTOR O&M; \$4.475 million in such annual revenue requirements for 2018; and \$3.885 million in annual revenue requirements for 2019 and thereafter.

These individual elements sum to a total estimated 2017 CPUC-jurisdictional revenue requirement for ND of \$184.741 million, which is \$77.308 million more than PG&E's currently authorized decommissioning revenue requirement of \$107.433 million.

In addition, PG&E requests findings that (1) PG&E's expenditures of \$371 million for completed PG&E Self Perform and Plant System Removal decommissioning expenditures are reasonable and prudent; (2) PG&E has made reasonable efforts to retain and utilize sufficient

qualified and experienced personnel to effectively, safely, and efficiently pursue physical decommissioning related activities; and (3) the differences between forecast and recorded SAFSTOR O&M expenses for 2013 through 2015 are reasonable.

PG&E proposes that the revenue requirement associated with ND trust contributions and HBPP SAFSTOR costs continue to be collected through a non-bypassable charge as specified in Pub. Util. Code Section 379. The Nuclear Decommissioning Adjustment Mechanism (NDAM), as authorized in Decision 99-10-057, will be used to record each separate revenue requirement and the associated billed revenues.

II. LEGISLATIVE AND REGULATORY BACKGROUND

Section 8326 of the Public Utilities Code requires that electrical utilities owning, in whole or in part, or operating a nuclear facility in California, periodically revise their nuclear decommissioning cost estimate studies. These updated studies are to ensure that the decommissioning cost estimates take into account changes in technology and regulation of nuclear decommissioning, the operating experience of each nuclear facility, and the changes in the general economy. The expenses associated with decommissioning nuclear facilities are to be paid with funds established pursuant to Section 8325. To the extent the monies available for decommissioning are insufficient to pay for all reasonable and prudent decommissioning costs, the Commission must authorize the electric utility to collect these charges from its customers.

In Decision (D.) 95-07-055, the Commission established investment guidelines for the nuclear decommissioning trust funds and reporting requirements for determining those costs. One of those requirements is that engineering cost studies and ratepayer contribution analyses continue to be performed every three years. In Decision 95-12-055 (PG&E's 1995 General Rate Case (GRC)), the Commission determined PG&E trust funding and addressed the tension between ensuring adequate funding of the trusts and avoiding over-funding at the expense of current customers:

“We retain our concern that nuclear decommissioning funds be adequate to cover future decommissioning costs, consistent with the legislative policy enunciated in the Nuclear Power Retirement Act of 1985. We are mindful, however, that today’s forecasts of nuclear decommissioning costs occurring 10 to 20 years in the future are very speculative. Forecasts of economic activity and costs out that far into the future are always subject to substantial error. In the case of nuclear decommissioning costs, forecasts are likely to be even more speculative because of the nation’s limited experience with such activity. Therefore, we would be fooling ourselves if we believed we could forecast those costs with any precision. Our goal is to have funds on hand that appear reasonably adequate. Moreover, in our efforts to protect future ratepayers from costs incurred by today’s ratepayers we do not wish to impose costs on today’s ratepayers which, if funding exceeds future costs, would represent a windfall to future ratepayers.”³

“In setting an annual nuclear decommissioning revenue requirement, our objective is to provide some insurance against a circumstance which would require significant rate increases in the future to retire plant that has served an earlier generation of users.”⁴

In Decision 96-12-088, the Commission determined that in the absence of GRCs, the NDCTP would establish the annual revenue requirement for ND expense over a three year period, and Decision 05-05-028 determined that PG&E should file applications for decommissioning in the NDCTP every three years, even though GRCs continued to determine utility rates.

PG&E filed its first NDCTP application on March 15, 2002. Joint hearings were held on common issues with Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E), although the proceedings were not consolidated. The Commission issued a decision in PG&E’s first NDCTP on October 2, 2003.⁵

³ Decision 95-12-055, 63 CPUC2d 570, 612.

⁴ *Id.* at, 613. The Commission reiterated these principles for the purpose of determining trust funding in D.00-02-046, mimeo at 372.

⁵ D.03-10-014.

The three California utilities again filed NDCTP applications on November 10, 2005. In response, the Assigned Commissioner's scoping ruling concluded that the applications of all three utilities should be consolidated, rather than merely being coordinated. The Commission issued a decision in the 2005 NDCTP on January 11, 2007.⁶

The three California utilities filed their 2009 NDCTP applications on April 3, 2009. The Commission issued a 2009 NDCTP Phase 1 decision on August 5, 2010.⁷ A subsequent decision adopting the Recommendations of the Independent Panel on Nuclear Decommissioning Costs, Estimates, Assumptions, and Format was issued on July 14, 2011.⁸ Decision 11-07-003 directed PG&E, Southern California Edison Company and San Diego Gas & Electric Company to provide with their NDCTP Applications a common format in summary form identifying certain specified assumptions and trust fund forecasts. That information with respect to PG&E is provided as Exhibit A to this Application. The Commission issued a decision in Phase 2 of the 2009 NDCTP on January 24, 2013.⁹

The three California utilities filed their 2012 NDCTP applications on December 21, 2012. The Commission issued a 2012 NDCTP Phase 1 decision on March 5, 2014,¹⁰ and a 2012 NDCTP Phase 2 decision on December 22, 2014.¹¹

On September 18, 2015, the Commission's executive director granted PG&E's request on behalf of PG&E, Southern California Edison Company and San Diego Gas & Electric Company to extend the filing date for the next NDCTP to March 1, 2016.

⁶ D.07-01-003

⁷ D.10-07-047.

⁸ D.11-07-003.

⁹ D.13-01-039.

¹⁰ D.14-02-024.

¹¹ D.14-12-082.

III. OVERVIEW OF PREPARED TESTIMONY

PG&E's prepared testimony accompanying this Application consists of ten chapters of testimony and addresses the foregoing requirements, as follows:

Chapter 1– *Introduction and Policy*: This chapter summarizes PG&E's overall request, provides the legislative and regulatory requirements for filing this application, explains the purpose of each of the subsequent testimony chapters and identifies where PG&E's compliance with prior Commission directives is addressed.

Chapter 2 – *Updated Diablo Canyon Power Plant Nuclear Decommissioning Cost Study*: This chapter presents the results of the 2016 site specific ND cost study prepared by TLG Services, Inc., for Diablo Canyon. This testimony addresses the decommissioning alternatives evaluated, presents the cost and schedule estimates, and discusses current decommissioning regulatory guidance.

Chapter 3 – *Diablo Canyon Power Plant Nuclear Decommissioning Cost Study Updated Assumptions*: This chapter explains the major changes in decommissioning assumptions made by PG&E between the 2016 Diablo Canyon ND cost study and the assumptions authorized in the 2012 NDCTP Decision.

Chapter 4 – *Humboldt Bay Power Plant Unit 3 Updated Nuclear Decommissioning Cost Estimate*: This chapter presents the results of the 2016 site specific HBPP decommissioning cost study prepared by PG&E's HBPP ND staff. This testimony presents the current cost and schedule estimates and describes the changes from the estimate authorized in the 2012 NDCTP Decision.

Chapter 5 – *Humboldt Bay Power Plant Unit 3 Reasonableness Review*: This chapter demonstrates the reasonableness and prudence of decommissioning projects completed since the 2012 NDCTP application was filed through December 31, 2014. In addition, the reactor vessel removal project completed in 2015 is presented for reasonableness review. PG&E is requesting approval of \$371 million of completed decommissioning activities at HBPP. This chapter also

demonstrates that PG&E has made all reasonable efforts to retain and utilize sufficient qualified and experienced personnel to effectively, safely, and efficiently pursue decommissioning at HBPP.

Chapter 6 – *Humboldt Bay Power Plant Unit 3 Nuclear Production Expenses*: This chapter presents the 2017 SAFSTOR O&M direct expenses for HBPP relating to activities required by the NRC Part 50 non operational license for HBPP, and explains how these expenses were developed. It also accounts for the differences between the forecast and actual SAFSTOR expenses for 2013 through 2015.

Chapter 7 – *Diablo Canyon Power Plant Units 1 and 2 and Humboldt Bay Power Plant Unit 3 Trust Funds Rates of Return Assumptions*: This chapter presents PG&E’s fixed income and equity rates of return forecast assumptions for the Diablo Canyon and HBPP ND trusts funds and explains PG&E’s compliance with the 2012 NDCTP Phase 2 decision directives with respect to communications with the ND trusts committee and the 2009 NDCTP Phase 2 Decision directive to provide a comparison of actual rates of return and forecasted rates of return for the previous triennial period.

Chapter 8 – *Diablo Canyon Power Plant Units 1 and 2 and Humboldt Bay Power Plant Unit 3 Trusts Funding Requirements*: This chapter reviews the adequacy of the contributions to the decommissioning trusts for Diablo Canyon and HBPP based on the current schedules for completing decommissioning, and determines that the appropriate level of contributions to the Diablo Canyon trusts is \$115.424 million and the appropriate level of contributions to the HBPP trust is \$61.906 million. These amounts are net of taxes and franchise fees and uncollectables amounts, which are incorporated in Chapter 9.

Chapter 9 – *Nuclear Decommissioning Revenue Requirement Request*: This chapter presents the expense and capital revenue requirements needed to support PG&E’s ND trust funding and HBPP SAFSTOR activities beginning January 1, 2017. These revenue requirements are based on costs presented in Chapters 2, 4, 6 and 8 of this application.

Chapter 10 – *Rate Treatment of Department of Energy Nuclear Spent Fuel Litigation Proceeds*: This chapter identifies PG&E’s damage claims against the Department of Energy (DOE) based on DOE failure to accept spent nuclear fuel which have been resolved since the prior NDCTP, and explains how the recoveries were allocated to ensure that customers and the HBPP ND trust received the appropriate share of net proceeds.

IV. INFORMATION REQUIRED BY THE COMMISSION’S RULES OF PRACTICE AND PROCEDURE

A. Statutory and Other Authority (Rule 2.1)

PG&E files this Application pursuant to Sections 454, 701, and 8321 *et. seq.* of the Public Utilities Code of the State of California, the Commission’s Rules of Practice and Procedure, and prior decisions, orders and resolutions of the Commission.

B. Legal Name and Principal Place of Business (Rule 2.1(a))

The legal name of the Applicant is Pacific Gas and Electric Company. PG&E’s principal place of business is 77 Beale Street, San Francisco, California 94105.

C. Correspondence and Communications (Rule 2.1(b))

Correspondence and communications regarding this application should be addressed to the following:

Lindsey How-Downing Law Offices 3060 El Cerrito Plaza #175 El Cerrito, CA 94530 Telephone: 510-525-6039 Facsimile: 775-562-6124 Email: lhowdowning@sbcglobal.net	Conor Doyle P. O. Box 770000 Mail Code: B9A San Francisco, CA 94177 Telephone: 415-973-7817 Facsimile:: 415-973-6520 Email: JCDDT@pge.com
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D. Categorization, Hearings, And Issues To Be Considered (Rules 2.1(c) and 7.1)

1. Proposed Categorization

PG&E proposes that this Application be categorized as a ratesetting proceeding.

2. Need for Hearings

PG&E anticipates that hearings will be requested. PG&E's proposed schedule is set forth below.

3. Issues to Be Considered

PG&E proposes the following issues be considered in this proceeding:

- a. Whether the Commission, subject to the true-up advice filing update described herein, will authorize PG&E to collect, commencing January 1, 2017, annual revenue requirements of \$117.324 million for contribution to the Diablo Canyon Unit 1 and Unit 2 Decommissioning Trusts.
- b. Whether the Commission will authorize PG&E to collect, commencing January 1, 2017, revenue requirements of \$62.924 million for contribution to the HBPP Decommissioning Trusts.
- c. Whether the Commission will authorize PG&E to collect estimated annual revenue requirements of \$4.493 million for funding HBPP SAFSTOR O&M in 2017, \$4.475 million for HBPP SAFSTOR O&M costs in 2018, and \$3.885 million for HBPP SAFSTOR O&M in 2019 and thereafter.
- d. Whether the Commission will find that the decommissioning cost estimates and associated trust contribution analyses for Diablo Canyon Units 1 and 2 and HBPP are reasonable and in accordance with Sections 8321 through 8330 of the California Public Utilities Code.

- e. Whether the Commission will authorize PG&E to update the nuclear decommissioning revenue requirements Franchise Fees and Uncollectables (FF&U) and Administrative and General (A&G) expense factors to reflect the final FF &U and A&G factors adopted in PG&E's 2017 General Rate Case final decision.
- f. Whether the Commission will find that PG&E's activities and associated costs for completed projects with respect to HBPP decommissioning were reasonable.
- g. Whether the Commission will find that PG&E has made all reasonable efforts to retain and utilize qualified and experienced personnel to effectively, safely, and efficiently pursue physical decommissioning related activities.
- h. Whether the Commission will find that the variances in actual versus forecast SAFSTOR expenses for the period 2013 through 2015 are reasonable.

4. Relevant Safety Considerations

In D.16-01-017, the Commission amended Rule 2.1(c) requiring an applicant to identify all relevant safety considerations implicated by an Application to which the assigned Commissioners and presiding officer could refer to during the proceeding. In order to ensure that safety considerations have received full consideration by parties and the Commission, PG&E's Prepared Testimony includes specific discussions which detail PG&E's efforts to promote public safety: Chapters 2, 3, 4, 6, 7, 8 and 9 discuss the estimated costs and associated revenue requirements to fund PG&E's Nuclear Decommissioning Trusts to ensure that PG&E is able to safely decommission PG&E's Diablo Canyon Power Plant and Humboldt Bay Power Plant Unit 3. In addition, as the Commission explained in D.14-12-053, the "[s]afe and reliable provision of utilities as predictable rates promotes public safety." Chapter 5 of PG&E's Prepared Testimony demonstrates that the costs for completed projects incurred by PG&E were reasonable.

5. Schedule

PG&E proposes the following schedule:

Application Filed	March 1, 2016
PG&E Application is noticed on CPUC Calendar	March 2, 2016
Protests/Responses Due	April 1, 2016
Responses	April 11, 2016
Prehearing Conference	May 2, 2016
Intervenor Testimony	June 10, 2016
Rebuttal Testimony	July 8, 2016
Evidentiary Hearings	July 25 - July 29, 2016
Opening Briefs	September 16, 2016
Reply Briefs due	October 7, 2016
Proposed Decision Issued	First quarter 2017

E. Articles of Incorporation (Rule 2.2)

PG&E is, and since October 10, 1905, has been, an operating public utility corporation organized under California law. It is engaged principally in the business of furnishing electric and gas services in California. A certified copy of PG&E's Restated Articles of Incorporation, effective April 12, 2004, was filed with the Commission on May 3, 2004 with PG&E's Application 04-05-005. These articles are incorporated herein by reference.

F. Balance Sheet and Income Statement (Rule 3.2(a)(1))

Exhibit B of this Application presents PG&E's most current balance sheet and income statement for the period ending December 31, 2015.

G. Statement of Presently Effective Rates (Rule 3.2(a)(2))

PG&E's presently effective electric rates are attached as Exhibit C to this Application.

H. Statement of Proposed Changes and Results of Operations at Proposed Rates (Rule 3.2(a)(3))

The percentage of revenue increase proposed in this application is approximately .5%.

I. General Description of PG&E's Electric Department Plant (Rule 3.2(a)(4))

A detailed description of PG&E's properties and equipment is included in PG&E's exhibits submitted in support of A.15-09-001, which description is incorporated herein by reference.

J. Summary of Earnings (Rule 3.2(a)(5) and Rule 3.2(a)(6))

The revenues, expenses, rate bases and rate of return for PG&E's Electric Department for the recorded year of 2014 is included in PG&E's exhibits submitted in support of A.15-09-001, and are incorporated herein by reference.

K. Statement of Election of Method of Computing Depreciation Deduction for Federal Income Tax (Rule 3.2(a)(7))

A statement of the method of computing the depreciation deduction for federal income tax purposes is included in PG&E's exhibits submitted in support of A.15-09-001, and is incorporated herein by reference.

L. Most Recent Proxy Statement (Rule 3.2(a)(8))

PG&E's most recent proxy statement dated March 25, 2015 was sent to the Commission on May 28, 2015, in A.15-05-016. This proxy statement is incorporated herein by reference.

M. Type of Rate Change Requested (Rule 3.2(a)(10))

This proposed change reflects changes in PG&E's base revenues to reflect the increased costs to maintain and decommission the projects described in this Application and accompanying testimony associated with PG&E's nuclear generation facilities.

N. Notice and Service of Application (Rules 3.2(b)-(d))

Within twenty (20) days after filing this Application, PG&E will mail a notice stating in general terms the proposed revenues, rate changes, and ratemaking mechanisms requested in this Application to the parties listed in Exhibit D, including the State of California and cities and counties served by PG&E. PG&E will publish in newspapers of general circulation in each county in its service territory a notice of filing this Application. PG&E will also include notices with the regular bills mailed to all customers affected by the proposed changes.

Since this is a new application, a service list has not yet been established. PG&E has served this Application on the official service list for Applications 12-12-012/12-12-013, the consolidated 2012 NDCTP.

Prepared testimony and workpapers supporting this Application will be served on the Commission on March 1, 2016. Other parties may request and will be provided testimony and workpapers by contacting Jenny Cheu at (415) 973-8686.

IV. REQUESTED RELIEF

Wherefore, PACIFIC GAS AND ELECTRIC COMPANY respectfully requests the Commission to issue an order:

1. Authorizing PG&E to collect through Commission-jurisdictional electric rates effective January 1, 2017, \$117.324 million in annual revenue requirements for the Diablo Canyon Units 1 and 2 Nuclear Decommissioning Trusts, as adjusted by advice filing update described herein.
2. Authorizing PG&E to collect through Commission-jurisdictional electric rates effective January 1, 2017, \$62.924 million in annual revenue requirements for the HBPP Nuclear Decommissioning Trusts, as described herein.
3. Authorizing PG&E to collect through Commission-jurisdictional electric rates an estimated \$4.493 million for funding HBPP SAFSTOR O&M costs in 2017, \$4.475 million for HBPP SAFSTOR O&M costs in 2018 and \$3.885 million for HBPP SAFSTOR O&M in 2019 and thereafter.

VERIFICATION

I, the undersigned, say:

I am an officer of PACIFIC GAS AND ELECTRIC COMPANY, a corporation, and am authorized to make this verification for and on behalf of said corporation, and I make this verification for that reason; I have read the foregoing Application and am informed and believe that the matters contained therein are true and on that ground I allege that the matters stated herein are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed at San Francisco, California, this 29th day of February, 2016.

/s/
Edward D. Halpin
Senior Vice President, Power Generation and Chief
Nuclear Officer