

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



March 11, 2005

Advice Letter 2565-E

Rose de la Torre
Pacific Gas & Electric
77 Beale Street, Room 1088
Mail Code B10C
San Francisco, CA 94105

Reissue of our letter dated 03/04/05 to include resolution number

Subject: Humboldt Bay Power Plant Unit 3 nuclear decommission

Dear Ms de la Torre:

Advice Letter 2565-E is effective February 24, 2005 by Resolution E-3912. A copy of the advice letter is returned herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director
Energy Division



October 12, 2004

Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

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Mail Code B10C
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ADVISE 2565-E

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Public Utilities Commission of the State of California

Subject: Humboldt Bay Power Plant Unit 3 Nuclear Decommissioning

Pacific Gas and Electric Company (PG&E) hereby requests approval of its proposal to disburse an additional \$35.9 million from the Humboldt Bay Unit 3 Nuclear Decommissioning Master Trusts (Trusts) for continued decommissioning work at Humboldt Bay Power Plant Unit 3 (HBPP Unit 3). HBPP Unit 3 is a 65 megawatt boiling water reactor that began commercial operation in 1963, ceased operation in 1976, and was placed in the SAFSTOR custodial mode in 1988 to await final decommissioning.

Purpose

PG&E requests that the Commission authorize the use of an additional \$35.9 million of the Trusts. This request is for additional Independent Spent Fuel Storage Installation Licensing work at HBPP Unit 3, the purchase of the dry cask storage system, the construction of the dry cask storage vault, and the cask loading activities (ISFSI). After authorization of this request, the total authorized disbursement from the Trusts would be \$66.9 million of which \$46.4 million is specifically for ISFSI.

Background

PG&E requests that the Commission authorize disbursement of an additional \$35.9 million from the Trusts to fund 1) increased Nuclear Regulatory Commission (NRC) review fees and resulting PG&E response costs attributable to required seismic design enhancements (\$1.5 million), 2) fabrication of the dry cask storage system (\$24.5 million), 3) construction of the dry cask storage vault (\$4.4 million) and 4) cask loading activities (\$5.5 million). NRC licensing costs have been estimated based on experience to date, but are subject to increase depending on developments. A detailed discussion of ISFSI costs is presented in Attachment 1.

The ISFSI was included in the Decommissioning Cost Estimate filed in PG&E's 2002 Nuclear Decommissioning Cost Triennial Proceeding (NDCTP), Application 02-03-020 which is distinct from the operations and maintenance (O&M) activities performed under SAFSTOR. The cost of the ISFSI will offset future

decommissioning spending when full decommissioning of Humboldt Unit 3 commences.

The Trusts were established in D.85-12-022, to allow PG&E "to recover from its ratepayers the cost of decommissioning the prudently constructed plant at Humboldt Bay Power Plant Unit 3." The expected liability to decommission HBPP Unit 3 is funded by trust assets with a market value of \$221 million as of December 31, 2003. The \$35.9 million requested in this filing represents approximately 16 percent of the December 31, 2003 value of the trusts.

In accordance with Ordering Paragraph 6 of D.85-12-022, PG&E discussed its plans for the ISFSI with the CPUC's Energy Division. PG&E is willing to discuss its plans with the Eureka community and any intervenors. PG&E has also notified the NRC staff of its desire to proceed with the ISFSI. The ISFSI will be conducted in full compliance with existing NRC regulatory requirements.

PG&E proposes to establish and maintain separate accounting to record the costs of the ISFSI, and the related transactions with the Trusts, to permit cost monitoring. PG&E's next NDCTP will provide an opportunity to review costs related to ISFSI.

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **November 1, 2004**, which is 20 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

IMC Branch Chief – Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Protests also should be sent by e-mail and facsimile to Mr. Jerry Royer, Energy Division, as shown above, and by U.S. mail to Mr. Royer at the above address.

The protest should be sent via both e-mail and facsimile to PG&E on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company
Attention: Brian Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: RxDd@pge.com

Effective Date

PG&E requests that this advice letter become effective on **November 22, 2004**, which is 40 days after the date of filing.

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list as well as those on Service List – A.02-03-020. Address changes should be directed to Rose De La Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs>

Brian K. Cherry /SKR

Director - Regulatory Relations

Attachment 1: Independent Spent Fuel Storage Installation (ISFSI)

cc: Service List - A. 02-03-020
Honorable Patty Berg, California Assembly
Redwood Alliance

ATTACHMENT 1
Independent Spent Fuel Storage Installation (ISFSI)

In 2002, Pacific Gas & Electric Company (PG&E) updated the cost estimate for the decommissioning of Humboldt Bay Power Plant Unit 3 (HBPP Unit 3) as part of its filing for the 2002 Nuclear Decommissioning Cost Triennial Proceeding (NDCTP). The 2002 NDCTP included two alternatives, the traditional estimate, which assumed decommissioning beginning in 2015 after the U.S. Department of Energy (DOE) takes HBPP Unit 3 spent fuel, was provided along with an approach for early decommissioning starting in 2006. The filing and related testimony identified the fact that early decommissioning could yield economic benefit but, as a prerequisite to performance of early decommissioning, the spent nuclear fuel would have to be moved to an on-site Independent Spent Fuel Storage Installation (ISFSI). Following a successful licensing decision by the Nuclear Regulatory Commission (NRC), an evaluation of whether to construct the ISFSI and pursue early dismantlement will be made per PG&E's regulatory position adopted in 1996 and filed with the 2002 NDCTP.

The ISFSI Application was submitted to the NRC on December 15, 2003. The facility license amendment was submitted to the NRC on July 9, 2004. There have been no requests for intervention or public hearings. The local Citizens Advisory Board, which represents organizations such as Redwood Alliance and Surfriders, is in support of this project. The initial round of NRC questions has not contained any issues that would indicate that the ISFSI could not be licensed. As such, it would be prudent to initiate the procurement of material since lead-time for material arrival could be as long as 124 weeks for the HI-STAR dual-purpose overpack.

The total estimated ISFSI project cost is \$68 million in 2004 dollars. Table 1 provides a comparison of total estimated ISFSI costs in 2002 dollars as presented in the 2002 NDCTP to total estimated ISFSI costs in 2004 dollars. PG&E has already requested and received approval in its 1999 General Rate Case (GRC) and Resolution E-3737 for disbursement of \$10.5 million for initial ISFSI activities. In this Advice Letter, PG&E is requesting approval for disbursement of an additional \$35.9 million to cover the next set of ISFSI activities which include additional licensing work, purchase of the dry cask storage system, construction of the dry cask storage vault and cask loading activities. After approval of this request, the total approved disbursement from the Humboldt Bay Unit 3 Nuclear Decommissioning Trusts (Trusts) for ISFSI would be \$46.4 million.

To provide a complete picture of all costs associated with decommissioning of HBPP Unit 3, SAFSTOR operations and maintenance (O&M) expenses (which are recovered through base rates rather than funded through the Trusts) must be added to the current cost estimates for each decommissioning alternative. Table 2 compares the cost of the two alternatives in millions of 2004 dollars and illustrates that early decommissioning remains the most economic alternative. Under this scenario, SAFSTOR O&M costs will only be incurred through early 2009, while the 2015 Decommissioning Plan reflects the need to continue SAFSTOR O&M expenses of approximately \$10.8 million annually through 2015.

ATTACHMENT 1
Independent Spent Fuel Storage Installation (ISFSI)

Table 1
Cost Estimate for ISFSI in the 2002 NDCTP (in 2002 Dollars) Compared to the Current Cost Estimate (in 2004 Dollars)

Activity Description	2002 NDCTP Estimate (2006 ISFSI)	2004 Dollar Estimate (2009 ISFSI)
SAR/ER Development	\$ 5,700,000	\$ 7,525,000
Geosciences Seismic Hazards Study	\$ 2,300,000	\$ 2,575,000
Cask Vendor Design and Licensing	\$ 2,000,000	\$ 1,900,000
Total Design and Licensing Costs	\$ 10,000,000	\$ 12,000,000¹
Cask Fabrication/ISFSI Construction/Loading	\$33,300,000	\$34,400,000
Operating Costs and Decommissioning	\$ 20,100,000	\$21,600,000
TOTAL ISFSI COST ESTIMATE	\$ 63,400,000	\$ 68,000,000

Table 2
Comparison of Decommissioning Alternatives - Life Cycle Costs

Decommissioning Alternative	Decommissioning Cost (less work already performed) in 2004\$	SAFSTOR O&M Expense in 2004\$ x No. Of Years Until DECON	Total
2015 Decommissioning Plan (assumes 2002 NDCTP LLRW disposal costs of \$200/cubic foot)	\$274 M	\$119 M	\$393 M
Early Decommissioning Plan (assumes 2002 NDCTP LLRW disposal costs of \$200/cubic foot)	\$330 M	\$43 M	\$373 M
Early Decommissioning Plan (assumes most of LLRW will be disposed of at a cost of \$100/cubic foot)	\$281 M	\$43 M	\$324 M

Since early decommissioning is still demonstrated to be economically viable, PG&E continues to pursue ISFSI.

Funds for the Trusts were collected from PG&E's ratepayers from 1988 through 1991 and collection was re-instituted in 2003 per Decision (D.) 03-10-014. As of

¹ Contractor design of equipment cost is included in Cask Fabrication/ISFSI Construction costs.

ATTACHMENT 1
Independent Spent Fuel Storage Installation (ISFSI)

December 31, 2003, the Trusts had a liquidation value of \$199 million and an expense-equivalent value of \$264 million.²

The following provides an overview of all approved disbursements from the Trusts and the additional requested disbursement identified in this Advice Letter.

CPUC authorizations for disbursement from the Humboldt Bay Nuclear Trusts:

Resolution E-3503 issued December 3, 1997, approved disbursement of \$15.7 million requested in Advice Letter 1678-E for the following scope of work:

1) Mitigation of Caisson In-Leakage Project (project complete)	\$9.2 million
2) Removal and Replacement of Ventilation Stack (project complete)	\$5.0 million
3) Site Radiological Survey (project complete)	\$1.5 million

D.00-02-046, issued February 17, 2000, approved disbursement of \$7.0 million requested in the 1999 GRC for the following scope of work:

4) Design and Licensing of (ISFSI)	\$7.0 million
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Resolution E-3737, issued October 10, 2001, approved the disbursement of \$7.35 million requested in Advice Letter 2095-E for the following scope of work:

5) Additional ISFSI Design and Licensing activities	\$3.5 million
6) Pre-Decommissioning Preparatory activities	\$3.85 million
a. Plant Systems and Structures Radiological Characterization	
b. Activation Analysis of the Reactor Vessel, Reactor Internals, and Surrounding Structures	
c. Asbestos Removal (project complete)	
d. Development of Low Level Waste Management Plan	
e. Miscellaneous Decommissioning Planning Activities	

D.03-10-014, issued October 2, 2003, approved disbursement of \$0.95 million requested in the 2002 NDCTP for the following scope of work:

7) Increased scope in the Mitigation of Cassion In-Leakage Project	\$0.56 million
8) Increased scope in the Removal and Replacement of Ventilation Stack	\$0.74 million
9) Decreased costs in the Site Radiological Survey Project	\$-0.35 million
Subtotal of CPUC Approved Trust Requests	\$31.0 million

² The liquidation value of the trust reflects the amount available, after taxes, to pay for nuclear decommissioning projects. The actual market value of the trusts as of December 31, 2003, was \$221 million.

ATTACHMENT 1
Independent Spent Fuel Storage Installation (ISFSI)

This Advice Letter requests additional disbursement for ISFSI:

10) Increased Nuclear Regulatory Commission (NRC) review fees and resultant PG&E increases attributable to required seismic design enhancements	\$1.5 million
11) Fabrication of dry cask storage system	\$24.5 million
12) Construction of dry cask vault	\$4.4 million
13) Cask loading activities	\$5.5 million

Total Non-ISFSI funding disbursement requested from Trusts (lines 1 to 3, 6 to 9)	\$20.5 million
Total ISFSI funding disbursement requested from Trusts (lines 4, 5, 10 to 13)	\$46.4 million
Total funding disbursement requested from Trusts	\$66.9 million

**PG&E Electric Advice Filing List
General Order 96-A, Section III(G)**

ABAG Power Pool
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alicantar & Elsesser
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Bartle Wells Associates
Blue Ridge Gas
Bohannon Development Co
BP Energy Company
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CA Cotton Ginners & Growers Assoc.
CA League of Food Processors
CA Water Service Group
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Cameron McKenna
Cardinal Cogen
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Creative Technology
Crossborder Inc
CSC Energy Services
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Department of Water & Power City
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DGS Natural Gas Services
DMM Customer Services
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Duke Energy
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Dutcher, John
Dynergy Inc.
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Masonite Corporation
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McKenzie & Assoc
McKenzie & Associates
Meek, Daniel W.
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Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources
Northern California Power Agency
PG&E National Energy Group
Pinnacle CNG Company
PPL EnergyPlus, LLC
Price, Roy
Product Development Dept
Provost Pritchard
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R. W. Beck & Associates
Recon Research
Regional Cogeneration Service
RMC Lonestar
Sacramento Municipal Utility District
SCD Energy Solutions
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SESCO
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