

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 17, 2010

Advice Letter 3573-E

Jane K. Yura
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177

Subject: Uranium Enrichment Services Contract

Dear Ms. Yura:

Advice Letter 3573-E is effective May 6, 2010 per Resolution E-4322.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division

December 10, 2009

Advice 3573-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Uranium Enrichment Services Contract

Pacific Gas and Electric Company (PG&E) hereby submits this advice letter requesting expedited review of a long-term Uranium Enrichment Services contract with Areva Enrichment Services, LLC.

Background

On June 26, 2008 the California Public Utilities Commission (Commission) issued Resolution E-4177, approving PG&E's Conformed 2006 Long-Term Procurement Plan (Procurement Plan). Ordering Paragraph 3 of Resolution E-4177 states, "PG&E should use the approved Conformed 2006 LTTP to guide all future short- and long-term procurement practices." PG&E's Procurement Plan, Appendix C, outlines PG&E's approved Nuclear Fuel Procurement Plan including guidelines for pursuing activities outside of the scope of the plan. As noted in the approved Nuclear Fuel Procurement Plan, PG&E intends to pursue new contracts for uranium, conversion, and enrichment services beyond 2010 to address the existing supply imbalances in the market and their potential effect on PG&E's ability to secure nuclear fuel supply for Diablo Canyon Power Plant. PG&E's approved plan had the following specific recommendations for prudent and cost-effective procurement of nuclear fuel materials and services for the period 2007 through 2016:

- Approval of the contract pricing terms and duration described in the Section B.1 (See 2006 Conformed Long-Term Procurement Plan, Appendix C, Section B.1, Sheets No. 110 – 112);
- Approval of the nuclear fuel procurement plan coverage targets for each segment of the nuclear fuel materials, uranium, conversion, and enrichment services for the time period as stated in the plan, 2007 through 2016 (refer to Table Vol. 1, XIICX-2);
- Approval of PG&E's participation in the development and implementation of the Fuelco Strategy Inventory partnership for the period 2007 through 2012, and any subsequent renewals through 2016; and,

- Approval of proposed risk management measures.

As PG&E indicated in the approved Procurement Plan, in cases where PG&E pursues a transaction outside the scope of the Nuclear Fuel Procurement Plan, it will follow an expedited advice letter process to obtain timely Commission pre-approval of a specific transaction and request that the Commission provide expedited review and approval in order to assure that the specific opportunity is not lost due to timeliness.

Request

PG&E requests that the Commission provide expedited review and approval of the Areva Enrichment Services, LLC transaction consistent with the process outlined in the approved Nuclear Fuel Procurement Plan. A summary of the main contract terms and conditions for the Areva transaction are included in Confidential Appendix A, including PG&E's assumption of liability resulting from nuclear incidents under the circumstances described, and a copy of the contract is included in Confidential Appendix B.

There are four primary suppliers for enrichment services in the world: USEC, Techsnabexport (Tenex), Areva, and Urenco Limited. There are also several small suppliers of enrichment services that function to supply enriched uranium for domestic use in China, Japan, Iran, and India. The main objective of the Nuclear Fuel Procurement Plan is to maintain security of supply through supplier diversity. The counterparty to the contract submitted for approval, Areva Enrichment Services LLC, is an affiliate of Areva NC, Inc., with whom PG&E has successfully done business since 1984. PG&E intends to secure enrichment services from a new facility to be built by Areva Enrichment Services, LLC in the United States.

In general, the contracting for enrichment services is done under long term agreements and this case is not an exception. The pricing terms are favorable, consistent with the pricing approved by the Commission in the Nuclear Fuel Supply Plan, and are competitive with the other suppliers of enrichment services, based on the Utility's discussions with others in the industry for long term supplies of enriched uranium.

Request For Confidential Treatment Of Appendices

Under General Order 66-C and Public Utilities Code (PU) Section 583, the Commission may keep certain materials confidential so that they are not subject to public inspection. In particular, "information of a confidential nature" and information obtained in confidence from a third party "where disclosure would be against the public interest" is to be treated confidentially. See General Order 66-C, §§ 2.2, 2.8. For purposes of this advice letter, PG&E is requesting that Appendix A, the contract summary, and Appendix B, the Areva contract, be

maintained as confidential by the Commission under General Order 66-C and PU Code Section 583.

As PG&E indicated above, there are a small number of nuclear fuel enrichment services providers. Terms and conditions agreed to by those providers are always highly confidential, because of the detrimental effect a public disclosure would have on the suppliers' business. Areva provided terms and conditions to PG&E in confidence and the contract contains confidentiality provisions for the protection of that information. Moreover, disclosure of this information would not be in the public interest. If nuclear services suppliers believed that entering into a contracting relationship with PG&E required them to disclose publicly the terms and conditions of their contracts, they may be unwilling to do any further contracting with PG&E. Given that such a small number of suppliers exist, this could result in PG&E being unable to contract for nuclear fuel supplies or being forced to contract at a substantial premium. For these reasons, the transaction at issue in this advice letter should also be treated as confidential under General Order 66-C and PU Code Section 583.

Conclusion

PG&E requests that the Commission approve the long-term Uranium Enrichment Services contract with Areva Enrichment Services, LLC attached in Confidential Appendix B. The contract provides pricing terms that are favorable and competitive with the other suppliers of enrichment services, and it is needed to secure supply of enriched Uranium for the operation of PG&E's nuclear power plant.

The contract attached to this advice letter is a confidential document and should not be distributed to any persons without strict compliance to the Commission's confidentiality requirements. PG&E requests that the Commission affirm this in a resolution approving the advice letter that Appendices A and B are to be maintained as confidential under General Order 66-C.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **December 31, 2009** which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: ijnj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

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

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

Effective Date

PG&E requests that this advice filing become effective, **December 31, 2009**. PG&E is filing this advice letter as a Tier 3 advice letter.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes to the General Order 96-B service list and all electronic approvals should be directed to email PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.

Brian Cherry 03

Vice President, Regulatory Relations

cc: Service List for R.06-02-013

Limited Access to Confidential Material:

The portions of this Advice Letter marked Confidential Protected Material are submitted under the confidentiality protections of Sections 583 of the Public

Utilities Code and General Order 66-C. A separate Declaration Seeking Confidential Treatment regarding the confidential information is filed concurrently herewith.

Confidential Attachments:

Confidential Appendix A: Summary of Uranium Services Contract;
Confidential Appendix B: Uranium Enrichment Services Contract

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Olivia Brown

Phone #: 415.973.9312

E-mail: oxb4@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 3573-E

Tier: 3

Subject of AL: Uranium Enrichment Services Contract

Keywords (choose from CPUC listing): Procurement, Nuclear

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: No

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information:

Resolution Required? Yes No

Requested effective date: December 31, 2009

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting). N/A

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave., San Francisco, CA 94102

jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry, Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

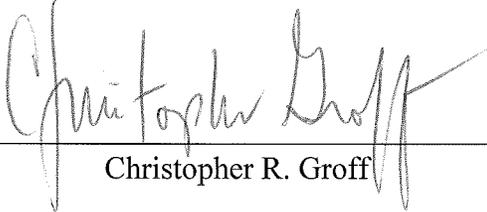
**ADVICE LETTER FILING OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**

**DECLARATION OF CHRISTOPHER R. GROFF IN SUPPORT OF
OF ADVICE 3573-E, CONFIDENTIAL APPENDICES A AND B**

I, Christopher R. Groff, declare:

1. I am presently employed by Pacific Gas and Electric Company (PG&E) and have been an employee since 1986. My current title is Manager, Nuclear Fuels Purchasing. In this position, my responsibilities include planning and purchasing of all nuclear fuel materials for Diablo Canyon Power Plant (DCPP), technical coordination and oversight of the nuclear fuel fabrication contract and technical coordination of the DCPP spent nuclear fuel contract.
2. Based on my knowledge and experience, and in accordance with the “Administrative Law Judge’s Ruling Clarifying Interim Procedures For Complying With Decision 06-06-066,” issued in Rulemaking 05-06-040 on August 22, 2006, I make this declaration seeking confidential treatment for Confidential Appendices A and B of Advice 3573-E.
3. Attached to this declaration is a matrix identifying the data and information for which PG&E is seeking confidential treatment. The matrix specifies that the material PG&E is seeking to protect constitutes the particular type of data and information listed in Appendix 1 (the “IOU Matrix”) of Decision 06-06-066, if applicable or GO 66-C.
4. The matrix also specifies the category or categories in the IOU Matrix to which the data and information corresponds, and why confidential protection is justified. Finally, the matrix specifies that: (1) PG&E is complying with the limitations specified in the IOU Matrix for that type of data or information; (2) the information is not already public; and (3) the data cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text that is pertinent to my testimony in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on December 10, 2009, at San Luis Obispo, California.

A handwritten signature in cursive script, appearing to read "Christopher Groff", written in black ink. The signature is positioned above a horizontal line.

Christopher R. Groff

1	PACIFIC GAS AND ELECTRIC COMPANY							
2	Document: Appendices A and B of Advice 3573-E							
3	IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066							
4	Date: December 10, 2009							
5								
6	Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
7								
8	Confidential Appendix A - Summary of Uranium Enrichment Services Contract	N	Under Public Utilities Code Section 583 and General Order 66-C	N/A	N	N	Documents highlight specific contract terms and conditions in dispute which is market sensitive information	Confidential until no longer covered by GO 66-C
9	Confidential Appendix B - Uranium Enrichment Services Contract	N	Under Public Utilities Code Section 583 and General Order 66-C	N/A	N	N	Areva provided terms and conditions to PG&E in confidence and the contract contains confidentiality provisions for the protection of that information. Terms and conditions agreed to by those providers are always highly confidential, because of the detrimental effect a public disclosure would have on the suppliers' business. Disclosure of this information would not be in the public interest.	Confidential until no longer covered by GO 66-C

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

Alcantar & Kahl	Defense Energy Support Center	North Coast SolarResources
Ameresco	Department of Water Resources	Northern California Power Association
Anderson & Poole	Department of the Army	Occidental Energy Marketing, Inc.
Arizona Public Service Company	Dept of General Services	OnGrid Solar
BART	Division of Business Advisory Services	Praxair
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CA Bldg Industry Association	Dutcher, John	SCE
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California Energy Commission	GLJ Publications	Sempra Utilities
	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sierra Pacific Power Company
California League of Food Processors	Green Power Institute	Silicon Valley Power
California Public Utilities Commission	Hanna & Morton	Silo Energy LLC
Calpine	Hitachi	Southern California Edison Company
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Cardinal Cogen	Intestate Gas Services, Inc.	Sutherland, Asbill & Brennan
Casner, Steve	Los Angeles Dept of Water & Power	Tabors Caramanis & Associates
Chamberlain, Eric	Luce, Forward, Hamilton & Scripps LLP	Tecogen, Inc.
Chevron Company	MBMC, Inc.	Tiger Natural Gas, Inc.
Chris, King	MRW & Associates	Tioga Energy
City of Glendale	Manatt Phelps Phillips	TransCanada
City of Palo Alto	Matthew V. Brady & Associates	Turlock Irrigation District
Clean Energy Fuels	McKenzie & Associates	U S Borax, Inc.
Coast Economic Consulting	Merced Irrigation District	United Cogen
Commerce Energy	Mirant	Utility Cost Management
Commercial Energy	Modesto Irrigation District	Utility Specialists
Consumer Federation of California	Morgan Stanley	Verizon
Crossborder Energy	Morrison & Foerster	Wellhead Electric Company
Davis Wright Tremaine LLP	New United Motor Mfg., Inc.	Western Manufactured Housing Communities Association (WMA)
	Norris & Wong Associates	eMeter Corporation