

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 19, 2011

Advice Letter 3737-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 3737-E is effective April 14, 2011.

Sincerely,

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

Julie A. Fitch, Director
Energy Division

September 21, 2010

Advice 3737-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 amendment with Urenco Limited (Urenco).¹

Background

On June 26, 2008 the California Public Utilities Commission (Commission or CPUC) approved PG&E's Conformed 2006 Long-Term Procurement Plan (LTPP).² PG&E was directed to use the approved Conformed 2006 LTPP to guide all future short and long-term procurement practices.³

Appendix C of PG&E's LTPP contains PG&E's confidential Nuclear Fuel Procurement Plan (Fuel Plan) for the prudent and cost-effective procurement of nuclear fuel materials and services during the period 2007 through 2016. As noted in the Plan, PG&E intends to pursue new contracts for uranium, conversion, and enrichment services beyond 2010 to secure its nuclear fuel supply for Diablo Canyon Power Plant. The Commission's approval of PG&E's Fuel Plan encompassed the following specific actions:

- Approval of the contract pricing terms and duration described in 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 Procurement Plan, 2007 through 2016 (refer to Table Vol. 1, XIII CX-2);

¹ URENCO is a European company jointly owned by the United Kingdom government, Dutch government, and two major German utilities, i.e. RWE AG and E.ON AG. Urenco supplies about 23% of the global enrichment market with its operating plants in Germany, Netherlands and the United Kingdom.

² Resolution E-4177.

³ Resolution E-4177, Ordering Paragraph (O.P.) 3.

- Approval of PG&E's participation in the development and implementation of an inventory partnership for the period 2007 through 2012, and any subsequent renewals through 2016; and
- Approval of proposed risk management measures.

As provided in the Fuel Plan, to the extent there are beneficial procurement opportunities available beyond the approved plan framework, PG&E is to submit the transaction for Commission review and approval on an expedited basis to ensure that the opportunities are not missed due to a lack of timeliness.⁴

Request

In accordance with its adopted Procurement Plan, PG&E requests the Commission expeditiously review and approve the proposed Urenco transaction.⁵ A summary of the key contract amendment terms and conditions for the Urenco transaction is provided in Confidential Appendix A and a copy of the contract amendment is included in Confidential Appendix B.

One of the main objectives of PG&E's Nuclear Fuel Procurement Plan is to maintain security of supply through supplier diversity. There are four primary suppliers for enrichment services in the world: USEC, Techsnabexport (Tenex), Areva NC, and Urenco Limited. The counterparty to the contract submitted for approval, Urenco, joined PG&E's group of suppliers in 2004, and with this contract amendment, PG&E will extend the terms of its successful relationship.

The long-term Urenco contract for enrichment services contains favorable pricing terms that are both consistent with the pricing approved by the Commission in the Nuclear Fuel Supply Plan and are competitive with those offered by other suppliers of long-term uranium enrichment services. Procurement of services from Urenco will complement previously procured services for PG&E's nuclear fuel portfolio, such as those of Areva Enrichment Services, LLC, approved in Resolution E-4322.

Request For Confidential Treatment Of Appendices

PG&E requests that the confidentiality of Appendix A, the contract summary, and Appendix B, the amendment to the Urenco contract, be protected under General Order (GO) 66-C and Public Utilities (PU) Code Section 583. Information of a confidential nature furnished to the Commission, such as information obtained in confidence from a third party "where disclosure would be against the public interest", is to be treated confidentially.⁶

⁴ PG&E's 2006 Conformed LTPP, Appendix C, Sheet No. 116.

⁵ Id.

⁶ See General Order 66-C, §§ 2.2, 2.8.

The Urenco contract contains a confidentiality provision that obligates the parties to protect the contract from public disclosure. The contract terms were negotiated with PG&E on a confidential basis and PG&E's submission of the contract for CPUC approval must be made on a confidential basis. Disclosure of the contract terms would violate the terms of the contract and subject PG&E to damages.

Disclosure of the amendment or its terms would violate the public interest because, as stated previously, there are only a few nuclear fuel enrichment services providers. Terms and conditions agreed to by those providers are always highly confidential because of the detrimental effect that public disclosure would have on the suppliers' negotiating position. If nuclear services suppliers believed that contracting with PG&E would result in the public disclosure of the terms and conditions of their contracts, they may refuse to do business with PG&E in order to protect their long-term interests. Given the already small number of nuclear fuel suppliers, the loss of a potential vendor could force PG&E to contract at a substantial premium, or even lose meaningful access to the market. For these reasons, the transaction at issue in this advice letter should be treated as confidential under GO 66-C and PU Code Section 583.

Conclusion

The Commission should approve the proposed long-term amendment to PG&E's uranium enrichment services contract with Urenco because the terms and conditions of the amendment are cost-effective in relation to other suppliers of enrichment services, and additional procurement is needed to secure a supply of enriched Uranium for the operation of the Diablo Canyon Nuclear Power Plant.

The contract and contract summary attached to this advice letter are confidential documents. PG&E requests that the Commission affirm in the resolution approving this 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 **October 11, 2010**, 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:

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, California 94177

Facsimile: (415) 973-6520
E-mail: PGETariffs@pge.com

Effective Date

PG&E requests that this Tier 3 advice filing become effective on **September 21, 2010**.

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 and the service list for R.06-02-013. Address changes to the General Order 96-B service list should be directed to email PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at ProcessOffice@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs>.

Handwritten signature of Jane Yura in black ink, followed by the initials "OB".

Vice President, Regulation and Rates

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

Confidential Attachments:

Confidential Appendix A: Summary of Amendment to Contract with Urenco Ltd.
for Uranium Enrichment Services

Confidential Appendix B: Uranium Enrichment Services Contract Amendment

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

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) #: 3737-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: N/A

Resolution Required? Yes No

Requested effective date: September 21, 2010

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: Jane K. Yura, Vice President, Regulation and Rates

77 Beale Street, Mail Code B10B

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

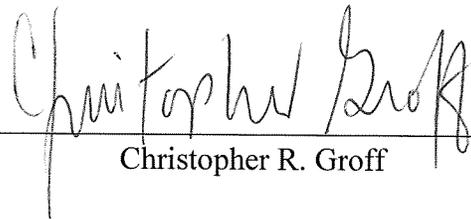
**ADVICE LETTER FILING OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**

**DECLARATION OF CHRISTOPHER R. GROFF IN SUPPORT OF
OF ADVICE 3737-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 3737-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 September 21, 2010, at San Luis Obispo, California.



Christopher R. Groff

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|---|---|---|---|---|---|---|---|---|
| 1 | PACIFIC GAS AND ELECTRIC COMPANY | | | | | | | |
| 2 | Document: Appendices A and B of Advice 3737-E | | | | | | | |
| 3 | IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066 | | | | | | | |
| 4 | Date: September 21, 2010 | | | | | | | |
| 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 Amendment | 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 | Department of Water Resources | North Coast SolarResources |
| Ameresco | Department of the Army | Northern California Power Association |
| Anderson & Poole | Dept of General Services | Occidental Energy Marketing, Inc. |
| Arizona Public Service Company | Division of Business Advisory Services | OnGrid Solar |
| BART | Douglass & Liddell | Praxair |
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| Barkovich & Yap, Inc. | Duke Energy | RCS, Inc. |
| Bartle Wells Associates | Dutcher, John | Recon Research |
| Bloomberg New Energy Finance | Economic Sciences Corporation | Recurrent Energy |
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| CSC Energy Services | Hanna & Morton | Seattle City Light |
| California Cotton Ginners & Growers Assn | Hitachi | Sempra Utilities |
| California Energy Commission | International Power Technology | Sierra Pacific Power Company |
| California League of Food Processors | Intestate Gas Services, Inc. | Silicon Valley Power |
| California Public Utilities Commission | Lawrence Berkeley National Lab | Silo Energy LLC |
| Calpine | Los Angeles Dept of Water & Power | Southern California Edison Company |
| Cameron McKenna | Luce, Forward, Hamilton & Scripps LLP | Sunshine Design |
| Cardinal Cogen | MAC Lighting Consulting | Sutherland, Asbill & Brennan |
| Casner, Steve | MBMC, Inc. | Tabors Caramanis & Associates |
| Chris, King | MRW & Associates | Tecogen, Inc. |
| City of Glendale | Manatt Phelps Phillips | Tiger Natural Gas, Inc. |
| City of Palo Alto | McKenzie & Associates | Tioga Energy |
| Clean Energy Fuels | Merced Irrigation District | TransCanada |
| Coast Economic Consulting | Mirant | Turlock Irrigation District |
| Commerce Energy | Modesto Irrigation District | U S Borax, Inc. |
| Commercial Energy | Morgan Stanley | United Cogen |
| Consumer Federation of California | Morrison & Foerster | Utility Cost Management |
| Crossborder Energy | NLine Energy, Inc. | Utility Specialists |
| Davis Wright Tremaine LLP | NRG West | Verizon |
| Day Carter Murphy | New United Motor Mfg., Inc. | Wellhead Electric Company |
| Defense Energy Support Center | Norris & Wong Associates | Western Manufactured Housing Communities Association (WMA) |
| | North America Power Partners | eMeter Corporation |