

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric
Company for Approval of the Retirement of
Diablo Canyon Power Plant, Implementation
of the Joint Proposal, And Recovery of
Associated Costs Through Proposed
Ratemaking Mechanisms

(U 39 E)

Application 16-08-006
(Filed August 11, 2016)

**REPLY OF PACIFIC GAS AND ELECTRIC COMPANY
TO RESPONSES AND PROTESTS**

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**REPLY OF PACIFIC GAS AND ELECTRIC COMPANY
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Pursuant to Rule 2.6(e) of the Commission’s Rules of Practice and Procedure, Pacific Gas and Electric Company (“PG&E”) respectfully replies to the 39 responses and protests submitted in response to its Application.¹

PG&E welcomes the broad participation in this proceeding by so many interested parties to address and resolve the issues raised in PG&E’s Application to implement the Joint Proposal² to retire Diablo Canyon Power Plant (“Diablo Canyon”) in 2024 (Unit 1) and 2025 (Unit 2) and replace its energy with a green-house gas (“GHG”)-free portfolio of replacement resources and energy efficiency. PG&E has joined with labor, leading environmental organizations, and a community-based nuclear safety advocacy group in a shared vision for what we believe is the

¹ A complete list of parties filing timely responses and/or protests is included as Attachment A to this Reply. Responses or protests were due on September 15.

² The Joint Proposal was developed by the Joint Parties, who include the Natural Resources Defense Council (“NRDC”), Friends of the Earth (“FOE”), Environmental California, International Brotherhood of Electrical Workers Local 1245 (“IBEW”), Coalition of California Utility Employees (“CCUE”), Alliance for Nuclear Responsibility (“A4NR”), and PG&E.

best and most responsible path for Diablo Canyon – using carbon free nuclear power during the next eight to nine years as a transition strategy that allows time to thoughtfully plan for and replace Diablo Canyon’s energy with GHG-free resources. PG&E’s Application also addresses the community impacts resulting from the retirement of Diablo Canyon, as well as meeting the needs of Diablo Canyon’s dedicated employees to ensure the continued safe and reliable operation of the facility during this transition period.

Overall, the responses and protests reflect a broad spectrum of views. Following the announcement of the Joint Proposal on June 21, the Joint Parties engaged in extensive outreach efforts with stakeholders, including five public participation meetings, to explain the Joint Proposal and increase understanding. This investment in time was worthwhile. While questions clearly remain – PG&E is in the process of answering over 100 data requests – it has been a very productive start.

There are a handful of contested issues that need to be addressed in this proceeding and a number of concerns raised that PG&E believes are out of scope and are best addressed elsewhere. A timely resolution in this proceeding is critical and thus it should not become a catch-all for every Diablo Canyon related issue.

First are the issues that are properly in scope. Virtually all parties agree with PG&E’s decision to retire Diablo Canyon, although there are a few that wish to see Diablo Canyon operations extended. Most parties support PG&E’s plan to replace Diablo Canyon’s energy with GHG-free resources, although some believe PG&E’s GHG-free energy proposal should be significantly expanded, some assert it is premature to make any replacement resource decisions, and others would like to see procurement eligibility expanded to other resources. There are also concerns from other load-serving entities about which customers should pay for the replacement

resources, an issue that invariably arises at the intersection of progressive energy policy and resource procurement.

Commenting parties uniformly endorsed the need to support the employees at Diablo Canyon during this transition period through adoption of a retention and retraining program at Diablo Canyon. Parties also agree that steps should be taken to help mitigate the impact of plant closure on the local community. Finally, a few parties questioned whether the costs incurred by PG&E to evaluate license renewal should be recoverable in rates.

At the outset, the most critical scoping decision that the Commission must make is whether to include within the scope of this proceeding PG&E's proposal to procure three tranches of GHG-free replacement resources. A number of parties urge that all issues related to procurement of replacement resources be deferred, and instead be taken up in the Integrated Resource Plan ("IRP") process. PG&E and the Joint Parties strongly oppose this proposal; deferral of all procurement at this critical time would significantly undermine the objective of replacing Diablo Canyon with GHG-free resources in a timely manner. The precedent of integrating the decision to close Diablo Canyon with deciding on the GHG-free replacement is an important step in carrying out the mandate in the State's newly-enacted climate policy.

The three tranches of GHG-free resource procurement proposed by PG&E and supported by the Joint Parties represent only about one-quarter of Diablo Canyon's current energy output. These procurement initiatives are an essential first step in achieving California's goal for 2030 GHG reductions, as a "no regrets" start to a multi-year needs analysis and development process for new resources. This first step would then be incorporated into the IRP as a baseline replacement quantity as the Commission considers what additional procurement will be required to fully replace the loss of Diablo Canyon's GHG-free energy. Accordingly, PG&E urges the

Commission to deny the requests of parties to foreclose consideration in this proceeding of an initial phase of GHG-free resource procurement.

There are other issues parties raised that the Commission should rule are excluded from the scope of this proceeding:

- Land use issues: The use and disposition of the lands surrounding Diablo Canyon after plant closure are not addressed in the Application. PG&E will address land use in its Diablo Canyon Site-Specific Decommissioning Study to be filed at the Commission in the 2018 Nuclear Decommissioning Triennial Proceeding (“NDCTP”). PG&E will establish a public stakeholder process to discuss post-closure use of the Diablo Canyon lands prior to filing the next NDCTP application.
- Quantification and assessment of the economic impact of plant closure: Senate Bill (“SB”) 968 (Monning), recently passed by the legislature and presented to the Governor for signature, directs the Commission to undertake by July 2018 an independent third party assessment of the economic impacts in San Luis Obispo County of the permanent shut down of Diablo Canyon at the expiration of its current operating licenses (or prior to expiration of such licenses), including a review of potential actions for the state and local jurisdictions to consider to mitigate the adverse economic impact of a shutdown. The legislature has thus designated a separate, independent process for evaluation of economic impacts on the local community that should not be duplicated in this proceeding. While the reasonableness of PG&E’s proposed \$49.5 million contribution toward the costs of mitigation that will ultimately be identified in the report is in scope, the quantification of the economic impact of Diablo Canyon’s closure and assessment of potential mitigation is, as specified in the statute, a matter for State and local government.
- Early Shut-Down of Diablo Canyon: The Application addresses PG&E’s decision not to proceed with license renewal at the expiration of Diablo Canyon’s current NRC operating licenses and the scope of replacement resources. The Application also addresses an orderly transition period for Diablo Canyon’s retirement. PG&E strongly believes that an earlier shutdown will adversely impact this orderly transition and is imprudent. However, proposals for an earlier shutdown are clearly outside the scope of this proceeding. Early shut-down of the facility is a current operating issue that must be addressed in PG&E’s next General Rate Case (“GRC”) if parties choose to assert at that time that existing operations of Diablo Canyon is unreasonable

or non-cost effective. In fact, this issue was raised and settled in PG&E's 2017 GRC for the period 2017 to 2019.

- Decommissioning Issues: The timing for decommissioning and method to be used, Diablo Canyon's post-retirement use of the desalination plant, funding of emergency planning, and the repurposing of other on-site buildings after Diablo Canyon are not addressed in this Application. These post-closure decommissioning issues will be addressed in PG&E's Site-Specific Decommissioning Plan to be filed in the 2018 NDCTP.

In this Reply, PG&E addresses some of the issues that are in scope and identifies issues that are outside the scope of this proceeding, and includes an updated proposed schedule that reflects input from the parties in their responses and protests. The Joint Parties have indicated that they support this Reply, except that A4NR does not support Section II.D.

I. SUMMARY OF APPLICATION

For more than thirty years, Diablo Canyon has provided Californians with safe, reliable, and GHG-free energy. In less than ten years, the licenses issued by the Nuclear Regulatory Commission ("NRC") for Diablo Canyon will expire. With this timing in mind, PG&E and the other Joint Parties developed a landmark Joint Proposal that would increase investment in energy efficiency, renewable resources, and other GHG-free resources while phasing out nuclear power in California in 2024 and 2025. There are four topics addressed in the Joint Proposal: (1) replacement of Diablo Canyon's energy with GHG-free resources; (2) employee retention and retraining; (3) community impacts mitigation; and (4) Diablo Canyon cost recovery.

The Joint Proposal includes three tranches of energy efficiency and GHG-free energy resource procurement and addresses how the costs associated with this procurement will be allocated. This includes:

- Adding 2,000 gross gigawatt-hours ("GWh") of Energy Efficiency in PG&E's service territory in 2018-2024. This provides a head start on energy savings before Diablo Canyon retires.

- Holding a competitive solicitation for 2,000 GWh of GHG-free energy for delivery in 2025-2030. Energy Efficiency and GHG-free energy resources will compete to fill this opportunity.
- Adopting a voluntary 55 percent Renewable Portfolio Standard (“RPS”) commitment for PG&E’s bundled customers. The commitment would start in 2031 and terminate in 2045 or when superseded by law or Commission direction.

PG&E is committed to continuing the safe and secure operation of Diablo Canyon through the end of its license period. To do so, it is critical to retain existing employees who are highly qualified and will drive continued safe and reliable operations. The proposed Employee Program provides appropriate retention, retraining, and severance incentives to the Diablo Canyon team. The Community Impact Mitigation Program proposes to establish a \$49.5 million fund to address economic impacts. Finally, the Joint Proposal addresses the ratemaking surrounding closure of Diablo Canyon and the cost associated with previous relicensing efforts. PG&E has proposed rate mechanisms that ensure the costs are recovered in rates by the time Diablo Canyon ceases operations at the expiration of the current NRC operating licenses.

Before PG&E filed its Application, the Joint Parties conducted extensive outreach to interested parties and the impacted communities. The Joint Parties held five workshops over three separate days, on July 12, 20, and 22, 2016, to answer questions regarding the retirement of Diablo Canyon and specific aspects of the Joint Proposal. These workshops were well attended and resulted in parties such as the California Energy Efficiency Industry Council (“CEEIC”) agreeing to support the Joint Proposal. Following the workshops and other stakeholder discussions, PG&E decided to modify some aspects of its Application to address issues and concerns that had been raised.

On August 11, 2016, PG&E filed its Application and concurrently made available its Prepared Testimony explaining in detail various aspects of the relief requested in the Application

and the Joint Proposal. Since then, PG&E has provided workpapers supporting its Prepared Testimony and is in the process of responding to the more than 100 data requests it has received already. PG&E expects this proceeding to be actively litigated through an open and transparent regulatory process and that, at the end of testimony and hearings, the Commission will have a robust and complete record before it on which to evaluate the Application and Joint Proposal.

II. ISSUES THAT ARE IN AND OUT OF SCOPE IN THIS PROCEEDING

The Application sets forth PG&E’s view of the issues to be considered within the scope of this proceeding.³ In responses and protests, parties have proposed that the Commission include additional issues, or bar the consideration of some of the issues proposed by PG&E. In this section of the Reply, PG&E responds to the proposals to add or delete certain issues, as well as to some of the substantive concerns raised by parties on specific issues.

A. Diablo Canyon Need, Timing of Diablo Canyon Retirement, Decommissioning, And Land Use Issues

1. The Need for Diablo Canyon And The Timing of its Retirement

A few parties oppose the retirement of Diablo Canyon and instead suggest that PG&E should seek to re-license the facility so that it can continue to operate Diablo Canyon until 2044-2045 (*i.e.*, 20 years after the current licenses expire).⁴ Other parties advocate the early shutdown of Diablo Canyon before 2024.⁵ Still other parties advocate a phased retirement of Diablo Canyon.⁶

³ Application, pp. 16-18.

⁴ Californians for Green Nuclear Power (“CGNP”) Protest; Environmental Progress Protest, pp. 3-11.

⁵ World Business Academy (“WBA”) Protest, pp. 7-8; San Luis Obispo Mothers for Peace (“Mothers for Peace”) Response, pp. 3-7.

⁶ California Energy Storage Alliance (“CESA”) Response, pp. 3-4.

In the Application, PG&E addresses its decision not to proceed with license renewal when Diablo Canyon’s operating license expire in 2024 and 2025. The reasonableness of that decision is within the scope of this proceeding. However, PG&E does not believe that the early shut-down of Diablo Canyon is in scope. Diablo Canyon is currently used and useful and authorized for rate recovery in PG&E’s current generation rates which are set and reevaluated every three years (or as the Commission determines) in PG&E’s GRC.⁷ If a party wishes to modify existing rate recovery for Diablo Canyon, that issue must be addressed in a PG&E GRC. Any issues regarding whether PG&E should close Diablo Canyon prior to the expiration of its NRC licenses is outside the scope of this proceeding.

One issue raised by Environmental Progress does necessitate a brief response. Environmental Progress asserts that, to justify its retirement proposal, PG&E has “falsely” stated the costs required for Diablo Canyon to comply with once-through cooling (“OTC”) requirements if the plant was to continue to operate after 2025.⁸ To support this, Environmental Progress relies on interviews that it asserts were conducted in early 2016 to establish its cost estimates for OTC compliance.⁹ The potential future costs of compliance under the State Water Board’s OTC policy are unknown. No decision has been made by the State Water Board. PG&E included an estimate of OTC compliance potential costs based upon a probability weighted range of possible outcomes. While Environmental Progress and PG&E may differ as to OTC compliance cost estimates, this does not mean PG&E “falsified” information.

⁷ In fact, one party submitted such a rate proposal in PG&E’s 2017 GRC. That issue was resolved in the proposed settlement that was submitted to the Commission.

⁸ Environmental Progress Protest, pp. 12-16.

⁹ *Id.*, pp. 15-16.

2. Decommissioning and Land Use Issues

Several parties seek to substantially expand the scope of the proceeding to consider a host of detailed issues associated with the eventual decommissioning of Diablo Canyon and, even further out in time, the eventual re-use of the lands surrounding Diablo Canyon.¹⁰ While these issues are important to both PG&E and other stakeholders and will need to be decided with extensive local community and other public input, PG&E disagrees that these “post-retirement” issues are ripe or necessary for inclusion in this proceeding.

PG&E is not seeking in this Application to resolve every issue that will arise and need to be addressed as part of the long-term decommissioning process. Doing so would not only massively expand an already complex set of issues to be resolved here, but would also be impossible since PG&E has not yet prepared a Site-Specific Decommissioning Plan for the facility. These post-retirement issues will be addressed in the next NDCTP following the planned preparation of the Site-Specific Decommissioning Plan.

For these reasons, the Commission should not expand the scope of this proceeding to include the following long-term decommissioning-related issues proposed by parties: use of the Diablo Canyon desalination facility for non-emergency water sales;¹¹ the specific cost and scope of emergency preparedness and response activities during decommissioning;¹² the long-term re-use or disposition of lands surrounding Diablo Canyon;¹³ the disposition or removal of Diablo

¹⁰ See e.g. GPI Protest, p. 11; Central Coast Wave Energy Hub and Friends of Wild Cherry Canyon (“Central Coast”) Protest, pp. 7-11; City of San Luis Obispo, City of Pismo Beach, City of Paso Robles, City of Arroyo Grande, City of Morro Bay, and City of Atascadero (“Nearby Cities”) Protest, pp. 14-16; Sierra Club Protest, pp. 12-13; County of San Luis Obispo (“County”) Protest, pp. 10-11.

¹¹ County Response, p. 7; Nearby Cities Protest pp. 4, 15-16.

¹² County Response, pp. 8, 14. However, PG&E notes that the general need for continuing emergency response and preparedness support during decommissioning, consistent with the level of risk, is properly part of the scope of the Application.

¹³ County Response, p. 10; Nearby Cities Protest, p. 4, 14; Central Coast Protest, pp. 8, 11; GPI Protest,

Canyon-related transmission lines;¹⁴ the post-retirement operation of the Independent Spent Fuel Storage Installation (“ISFSI”);¹⁵ and the specific methods of decommissioning and disposal of hazard waste.¹⁶ None of these issues needs to be decided in order to decide the fundamental questions set forth in the Application, and none of these issues are ripe for decision until the detailed Site-Specific Decommissioning Plan is completed. PG&E will establish a public stakeholder process that will provide an opportunity for local input on Diablo Canyon post-retirement emergency planning and land use issues prior to submitting the Diablo Canyon site-specific study to the Commission in the next NDCTP.

B. Replacement Resources

1. Energy Efficiency Issues

The responses and protests include discussion of PG&E’s proposals to acquire energy efficiency resources, particularly its 2,000 gross gigawatt-hour (“GWh”) proposal for Tranche #1. Most of the issues raised regarding the energy efficiency procurement proposals are in scope for this proceeding. Certain of the issues raised merit a brief response.

Some parties raise questions regarding the appropriate cost-effectiveness standard to use for energy efficiency procurement, or whether energy efficiency is cost effective at all.¹⁷ The California Public Utilities Code requires utilities to acquire cost-effective energy efficiency to meet unmet resource needs, but does not mandate use of a particular cost-effectiveness test.¹⁸

pp. 3, 11; Sierra Club Protest, pp. 3, 13.

¹⁴ Nearby Cities Protest, p. 4, 14.

¹⁵ Nearby Cities Protest, p. 4, 8.

¹⁶ County Response, p. 11; Nearby Cities Protest, pp. 4, 14.

¹⁷ City and County of San Francisco (“CCSF”) Protest, pp. 5-6; Sierra Club Protest, p. 8; CEEIC Response, p. 4; Office of Ratepayer Advocates (“ORA”) Protest, p. 5; SolarCity Protest, p. 6; Environmental Progress Protest, p. 6.

¹⁸ Cal. Pub. Util. Code §§ 399.4(a)(1); 454.5(b)(9)(C).

PG&E proposes use of the Program Administrator Cost (“PAC”) test to evaluate proposals because this test is more useful for bid evaluation for a Request for Offers (“RFO”) seeking to acquire resources on a least-cost, best-fit basis for a specific quantity of savings. PG&E agrees that the cost-effectiveness issues should be reviewed in this proceeding, including the appropriate cost-effectiveness test, but disagrees with proposals by parties that tests other than the PAC test should be used for bid ranking.

Several parties question whether PG&E should conduct an RFO that includes energy efficiency outside of the Commission’s rulemaking process for the energy efficiency portfolios.¹⁹ However, the Commission has previously ordered all source RFOs, including for energy efficiency resources, to meet specific needs. For example, Southern California Edison Company (“SCE”) and San Diego Gas & Electric Company (“SDG&E”) were directed to conduct RFOs to replace capacity due to the closure of San Onofre Nuclear Generating Station (“SONGS”) and OTC power plant retirements. Energy efficiency and other preferred resources were required to be included in these RFOs.²⁰ The same approach should apply here, where the Joint Parties are proposing specific procurement RFOs to address Diablo Canyon’s retirement. The Commission does not require all energy efficiency procurement to be proposed or approved in an energy efficiency proceeding.

TURN and Sierra Club point out that while energy efficiency savings are now measured on a gross basis, a recent Commission decision requires savings measurement on a net basis.²¹

¹⁹ CCSF Protest, p. 6; California Large Energy Consumers Association (“CLECA”) Protest, p. 4, California Clean DG Coalition (“CCDG”) Protest, p. 2; SCP Protest, pp. 6-7; Lean Energy US (“LEAN”) Protest, p. 4; Solar City Protest, p. 7; MCE Protest, pp. 2,7; Sierra Club Protest, pp. 9-10.

²⁰ Decision (“D.”) 13-02-015, Ordering Paragraphs (“OPs”) 1, 4; D.14-03-004, OPs 1, 2.

²¹ TURN Protest, p. 9; Sierra Club Protest, p. 8, citing D.16-08-019.

PG&E designed the 2,000 GWh target for Tranche #1 to be measured on a gross basis to determine if the target in the Joint Proposal is met, but savings can later, post-installation, also be measured on a net basis. This would not, however, determine whether PG&E met its Tranche #1 target, which is expressed on a gross basis consistent with Commission policy at the time the Joint Proposal was negotiated and signed.

Several parties urge the Commission to consider whether the savings to be achieved from the RFOs exceed PG&E's currently-established goals or those that will be established pursuant to Senate Bill ("SB") 350.²² The energy efficiency targets in the Joint Proposal are in addition to PG&E's existing energy efficiency portfolio goals and budget. Energy efficiency goals are updated regularly; the next update will occur in 2017 for 2018 programs based on updated energy savings potential studies, supply-side market conditions, and avoided costs. Under SB 350, the California Energy Commission ("CEC") and Commission have until November 2017 to develop a plan for meeting the new statewide energy efficiency goals. Therefore, the next update of energy efficiency goals can take into account the CEC and Commission analysis of SB 350 as well as PG&E's savings from the procurement in this proceeding.

TURN and CLECA raise questions around the proposed approach to persistence of energy efficiency savings relative to the proposed closure schedule.²³ The Joint Proposal includes a requirement that savings persist for a minimum of five years, which is intended to ensure that savings are long-lived and delivered over an appropriate timeframes. PG&E agrees that this issue is in the scope of the proceeding.

²² ORA Protest, p. 5; Center for Energy Efficiency and Renewable Technologies ("CEERT") Response, p.6; TURN Protest, p. 7; GPI Protest, p. 4; Environmental Progress Protest, p. 4; Sierra Club Protest, p. 6-7, 9.

²³ TURN Protest, p. 10-11; CLECA Protest, p. 4-5.

Finally, some parties question PG&E's request that the energy efficiency shareholder incentive be applied to the savings from the Tranche #1 and #2 energy efficiency procurement.²⁴ The utilities have received shareholder incentives for other energy efficiency procurement that results from RFOs for third-party programs as permitted by the last three shareholder incentive mechanism decisions.²⁵ There is no reason to exclude this procurement from eligibility for incentives. PG&E agrees that the issue is in the scope of the proceeding.

2. Resources Eligible to Replace Diablo Canyon And Procurement Timing

A number of parties commented on whether specific types of resources should be eligible for the three tranches of procurement in the Joint Proposal. For example, some parties oppose including large hydro as a GHG-free resource.²⁶ Other parties propose including demand response²⁷ and energy storage²⁸ as eligible resources. While PG&E believes that its proposal regarding resource eligibility requirements is reasonable, resource eligibility is an issue that is in scope and should be addressed in the course of the proceeding.

Parties also raise issues concerning the timing of the three procurement tranches. The Joint Proposal includes specific timing for each tranche to ensure that energy efficiency resources are procured in advance of Diablo Canyon's retirement, additional energy efficiency and GHG-free resources are procured after the Diablo Canyon's retirement, and that RPS-eligible resources are procured through 2045 by committing to a voluntary 55% RPS. Sierra

²⁴ ORA Protest, p. 5; Alliance for Retail Energy Markets and Direct Access Customer Coalition ("AReM/DACC") Protest, p. 4; SCP Protest, p. 7.

²⁵ D.07-09-043 (2006-2009); D.12-12-032 (2010-2012); and D.13-09-023 (2013 to present).

²⁶ GPI Protest, p. 6.

²⁷ EDF Response, p. 4; Comverge, Inc. CPower, Eneroc, Inc. and Energyhub ("Joint DR Parties") Response, p. 4; OhmConnect Response, pp. 2-3; CEEIC Response, pp. 2-3; CLECA Protest, p. 5.

²⁸ SolarCity Protest, p. 7; WBA Protest, p. 6; CESA Response, pp. 5-8.

Club and Large-Scale Solar Association (“LSA”) propose expanding and accelerating RPS procurement.²⁹ CLECA, on the other hand, asserts that the Tranche #1 energy efficiency procurement is too soon.³⁰ As with the issue of resource eligibility, the timing of the three proposed procurement tranches is in scope in this proceeding.

3. Procurement Cost Allocation Issues

One of the most contentious issues, based on the volume of comments in responses and protests, involves the allocation of PG&E’s procurement costs. While few parties seem to protest the allocation of energy efficiency costs through the Public Purpose Program (“PPP”) charge, which is consistent with existing and well-established Commission precedent, a number of parties expressed opinions regarding the Clean Energy Charge. For example, GPI and TURN generally support the Clean Energy Charge.³¹ Other parties oppose this aspect of the Application³², or request that the specific group of customers that they represent be exempted.³³ The methodology for calculating the Clean Energy Charge and the appropriateness of applying this charge to all electric distribution customers are certainly issues within the scope of this proceeding and will be addressed in testimony, at hearings, and in briefs. PG&E will not in this Reply address each issue that has been raised regarding the Clean Energy Charge, but some of the issues raised do require a brief response.

²⁹ Sierra Club Protest, pp. 10-11; LSA Protest, pp. 2-6.

³⁰ CLECA Protest, pp. 4-5.

³¹ GPI Protest, p. 8; TURN Protest, pp. 12-13.

³² Center for Climate Protection Protest, pp. 3-4; Energy Users Forum (“EUF”) Protest, p. 2; CCSF Protest, pp. 6-8; LEAN Energy US Protest, pp. 4-5; SCP Protest, pp. 7-11; Shell Energy North America (US), LLP (“Shell Energy”) Protest, pp. 7-8; City of Lancaster (“Lancaster”) Protest, pp. 6-7; AReM/DACC Protest, pp. 3-5; CLECA Protest, pp. 5-6.

³³ South San Joaquin Irrigation District (“SSJID”) Protest (requesting that municipal departing load customers be exempted); Energy Producers and Users Coalition (“EPUC”) Protest, p. 4 (requesting exemption for customer generation departing load).

Several parties assert that the Clean Energy Charge is inconsistent with California law and thus should be summarily rejected.³⁴ This argument ignores California statutory law and Commission precedent. The procurement of clean supply-side resources in Tranches #2 and #3 will provide regional and statewide benefits to all electric distribution customers in PG&E’s service territory, by providing GHG-free energy to replace Diablo Canyon when it retires. The Legislature has consistently required that all electric distribution customers be allocated a portion of the costs for programs that provide environmental or other benefits. For example, under the Waste Heat and Carbon Emissions Reduction Act (Assembly Bill (“AB”) 1613), which requires investor-owned utilities to procure efficient combined heat and power (“CHP”) resources, the Legislature specified that the Commission could allocate procurement costs and benefits to all “benefitting customers,” including bundled electric customers, community choice aggregation (“CCA”) customers, and direct access (“DA”) customers.³⁵

Similarly, when it recently enacted SB 350, the Legislature specified that net costs associated with utility procurement to provide for a diverse portfolio of resources and provide “optimal integration of renewable energy in a cost-effective manner” could be included in a non-bypassable charge to be paid by bundled electric customers, CCA customers, and DA customers.³⁶ The Legislature has also given the Commission authority to impose nonbypassable charges on CCAs for programs that “provide broader statewide or regional benefits to all customers....”³⁷ In short, where resource procurement provides regional or statewide benefits,

³⁴ CCSF Protest, p. 7; MCE Protest, pp. 7-9.

³⁵ Cal. Pub. Util. Code § 2841(e).

³⁶ Cal. Pub. Util. Code § 454.51.

³⁷ Cal. Pub. Util. Code § 366.2(k)(1).

such as the reduction of GHG emissions, the Legislature has consistently supported the allocation of costs as broadly as possible.

The Clean Energy Charge is also consistent with Commission precedent. A decade ago, the Commission determined that “it is imperative that GHG reduction goals and responsibilities be shared as broadly as possible.”³⁸ When resource procurement is associated in part with meeting GHG emissions reduction goals or other environmental policies, the Commission has repeatedly approved allocating the associated costs to bundled electric customers, DA customers, and CCA customers.³⁹ As the Commission explained with regard to the AB 1613 program:

[A]ll customers, including CCA and DA customers, will receive environmental benefits from the AB 1613 program. There is no basis for distinguishing among various customer classes in allocating the environmental benefit of reduced GHG emissions. Consequently, there is no basis for distinguishing among various customer classes in allocating the costs associated with this benefit.⁴⁰

The discussion above is not intended to be a comprehensive review of the policy or legal basis for adoption of the Clean Energy Charge. It is likely that those issues will be addressed in detail in testimony, at hearings, and in briefs. However, the summary above of California statutory law and Commission precedent supporting the Clean Energy Charge makes clear that PG&E’s request is not barred by state law, and should not be summarily dismissed.

4. The Commission Should Not Delay Consideration of Procurement Issues In This Proceeding

A number of parties argue that the Commission should not address procurement to

³⁸ D.06-02-032, p. 26; see also D.10-12-035, p. 49, and Finding of Fact 23.

³⁹ D.10-12-035, pp. 49-50 (allocating costs associated with the Qualifying Facility and CHP Settlement to bundled electric customers, DA customers, and CCA customers in part based on GHG emissions reduction benefits); D.09-12-042, pp. 21-25 (allocating certain GHG-related costs associated with procurement to bundled electric customers, DA customers, and CCA customers); D.10-04-055, pp. 14, 16-17.

⁴⁰ D.10-04-055 at p. 14 (citations and footnotes omitted).

replace Diablo Canyon in this proceeding, but instead should consider that issue in the IRP proceeding, Rulemaking (“R.”) 16-02-007.⁴¹ Other parties argue that this proceeding should not be delayed. For example, CEERT notes that this “Application can serve as a meaningful first step toward IRP, and should not be delayed to effect coordination with the [IRP proceeding], which is just getting under way.”⁴² While PG&E certainly believes that the IRP will be an important process for conducting statewide resource planning, there are several significant concerns with parties’ arguments that the procurement portion of this proceeding be delayed.

First, because the IRP is a new proceeding intended to implement SB 350, the timing for resolution of the complex issues raised in that proceeding is unclear. As the Commission has recognized, SB 350 raised numerous “new elements” in the resource planning process that require the Commission to proceed slowly to determine first how it will conduct integrated resource planning and then, after this initial planning stage, to actually undertake the planning process.⁴³ Because of the novelty and complexity of the IRP process, the current IRP Scoping Memo includes more than a year of pre-planning, so that load-serving entities (“LSEs”) will not be filing their respective IRPs until Fall 2017, with a Commission decision in late 2017 or early 2018.⁴⁴ It is difficult to believe that the Commission will be able to resolve all of the issues raised in each LSE’s IRP in a few months. It has typically taken more than a year for the

⁴¹ Office of Ratepayer Advocates (“ORA”) Protest, p. 3; EUF Protest, p. 2; CCSF Protest, p. 3; California Solar Energy Industries Association (“CalSEIA”) Protest, p. 3; SCP Protest, pp. 3-5; Shell Energy Protest, pp. 5-6; Lancaster Protest, pp. 5-6; SolarCity Protest, pp. 2-5; MCE Protest, pp. 6-7, 9-10; EPUC Protest, pp. 2-3; CLECA Protest, pp. 2-4.

⁴² CEERT Response, pp. 4-5.

⁴³ *Joint Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge*, issued in R.16-02-007 on May 26, 2016, pp. 6-7 (“IRP Scoping Memo”).

⁴⁴ *Id.*, pp. 15-16.

Commission to issue final need determinations on resource plans submitted in the Long Term Plan Proceeding, and the scope and complexity of the new IRPs will be greatly expanded.

When the IRPs are filed, it will be the first time that any LSE has done so under SB 350. It may take several iterations before the IRPs are sufficiently robust to sufficiently address resource planning, including the need to replace Diablo Canyon. In short, the IRP process is untested and will likely be quite lengthy. Given this, the Commission cannot and should not defer addressing the procurement proposals in the Application so that these issues are can be addressed in the IRP proceeding. The Independent Energy Producers Association (“IEP”) raised similar concerns about the challenges of relying on the IRP process to identify and procure resources before Diablo Canyon retires.⁴⁵

Finally, the three proposed procurement tranches are intended to be just a first step to replacing Diablo Canyon while at the same time achieving California’s GHG reduction goals.⁴⁶ Contrary to parties’ statements, the Joint Parties are not proposing to sidestep the IRP process. In fact, all of the issues and procurement currently in the IRP process would still be there, along with the remaining Diablo Canyon replacement resources not addressed in this Application. The Joint Proposal and PG&E’s Application expressly recognize that the IRP process will be critical to determining additional procurement needs resulting from Diablo Canyon’s retirement in addition to the three tranches.⁴⁷ However, in the interim, while the IRP process is just getting underway, the three procurement tranches are a reasonable first step to ensuring an orderly replacement of Diablo Canyon with GHG-free resources.⁴⁸

⁴⁵ IEP Response, p. 2.

⁴⁶ PG&E Prepared Testimony, p. 1-8, lines 11-14.

⁴⁷ PG&E Prepared Testimony, pp. 3-12 to 3-13.

⁴⁸ PG&E Prepared Testimony, p. 3-4, lines 6-14.

5. Limiting The Scope of the Proceeding to Diablo Canyon Retirement

Lancaster and MCE argue that the Commission should narrow the scope of this proceeding to solely focus on Diablo Canyon retirement, and that PG&E's resource procurement requests should be considered in other proceedings.⁴⁹ However, all of the issues raised in the Application are essential to the orderly retirement of Diablo Canyon, including the proposed resource procurement. As explained above, PG&E is not asserting that the procurement proposed in this proceeding will completely replace Diablo Canyon. However, the three procurement tranches that have been proposed are essential, first steps toward the replacement of Diablo Canyon with GHG-free resources. Narrowing the scope of this proceeding by eliminating the procurement issues will only delay procuring the resources necessary to replace Diablo Canyon, and could detrimentally impact electric system reliability and planning. This runs the risk of large spikes in GHG emissions upon retirement of the Diablo Canyon facility, as occurred after the SONGS shutdown.

C. Community and Employee Programs

While nearly all parties commenting on them supported the proposed Community Impact Mitigation Program and Employee Program, some parties did question the costs or method of recovering those costs.⁵⁰ No party disputes that the reasonableness of the Community Impact Mitigation and Employee Programs is an appropriate issue to be decided in this proceeding. There are, however, several issues raised by parties that necessitate a response.

⁴⁹ Lancaster Protest, pp. 4-5; MCE Protest, p. 6.

⁵⁰ See *e.g.*, A4NR Protest, pp. 4-5 (strongly supporting community programs); Mothers for Peace Response, p. 7 (supporting community programs, but questioning cost recovery); EPUC Protest, p. 3 (questioning program costs).

1. Community Impact Mitigation Program

All electricity consumers should contribute toward assisting the local community to transition to a time without Diablo Canyon in operation. Diablo Canyon has been able to operate so successfully for the past three decades, in part, because of the support of the local community. Electric customers who have enjoyed the benefits of Diablo Canyon's safe and reliable operation over these last 30 years should contribute to the support of the local community that has made this possible. The Community Impact Mitigation Program was designed to accomplish that objective through providing a reasonable and appropriate set of definite payments that the community could rely upon to mitigate the impact of plant closure. As far as PG&E is aware, the level of community economic support that PG&E has proposed in this Application is unprecedented following a power plant closure.

Nonetheless, the County of San Luis Obispo and the Nearby Cities both express concern that the proposed \$49.5 million Community Mitigation fund may be insufficient to fully mitigate all of the direct and indirect economic impacts that may be experienced as a result of the closure of facility. While, as stated above, the reasonableness of PG&E's proposed \$49.5 million contribution toward mitigating community impacts is within the scope of this proceeding, PG&E believes that this proceeding should not include in scope the objective of quantifying and assessing the overall economic impacts of Diablo Canyon's closure since there is already a defined process in place to evaluate and determine such impacts.

SB 968 (Monning) directs the Commission to undertake by July 2018 an independent third party assessment of the economic impacts in San Luis Obispo County of the permanent shut down of Diablo Canyon at the expiration of its current operating licenses (or prior to expiration of such licenses), including a review of potential actions for the state and local jurisdictions to consider to mitigate the adverse economic impact of a shutdown. The

Legislature has thus designated a separate, independent process for evaluation of economic impacts that should not be duplicated in this proceeding.

Several parties state that the Community Impact Mitigation Program should be designed to insulate the community entirely from change and to ensure indefinitely the same level of economic activity that the region enjoys today. For example, the Nearby Cities cite a study showing a “total economic impact” of Diablo Canyon on the local economy of nearly \$1 billion in 2011 and argue that PG&E should be required to guarantee that all local taxing jurisdictions receive the same revenue going forward, no matter whether and how indirectly those revenues are associated with Diablo Canyon.⁵¹ Similarly, the San Luis Coastal Unified School District (“SLCUSD”) states a concern that mitigation payments “could vary dramatically and unexpectedly from year to year.”⁵² The intent of the Joint Proposal is to provide reasonable, appropriate, and certain transitional assistance to the local community until the plant retires in 2025. Between the Employee Program, which is designed to retain all current employees through plant retirement (thus maintaining the economic stimulus associated with their wages), and the Community Impact Mitigation Program, which has been sized to help to offset declining property tax revenues, PG&E’s proposal will give the community time to plan for the retirement and loss of both direct and indirect economic stimulus. The scope of this proceeding should not include ensuring the community is insulated on an ongoing basis from any economic impacts associated with Diablo Canyon’s operation or retirement, especially since the community has never been guaranteed or provided with any such assurance in the past.

⁵¹ Nearby Cities Protest, pp. 8, 13.

⁵² SLCUSD Response, p. 2. PG&E notes that SLCUSD appears to misunderstand PG&E’s proposal, which provides a fixed and certain payment to the local community from 2017-2025. It appears SLCUSD may be referring to variations in property tax revenues, rather than mitigation payments, since property tax revenues are subject to variation based upon PG&E’s unitary tax allocation to the local community.

2. Community Engagement

The Nearby Cities state that no meetings or discussions took place between PG&E and any of the Nearby Cities regarding Diablo Canyon retirement between the release of the Joint Proposal and submission of the Application.⁵³ In fact, PG&E made significant efforts to notify, inform, and seek input from the Nearby Cities and other local elected officials and their staff following the announcement of the Joint Proposal. From the date of the June 21 announcement to the present, PG&E has briefed 106 local elected officials and their staff on the Joint Proposal, including attending 79 in-person meetings, placing 19 phone calls and sending 313 e-mail communications. Moreover, it bears emphasizing that the Joint Proposal and the Application are only the starting point in the Commission's process to consider the issues set forth, although PG&E believes that the Commission should ultimately adopt the proposals in the Application. This proceeding, governed by the Commission's rules of procedure, presents the "fair and equitable process" that the Nearby Cities seek to ensure that their views are incorporated.⁵⁴

3. Funding for The Employee Program and Community Impact Mitigation Program

The Mothers for Peace expresses strong support for the Employee Program and the Community Impact Mitigation Program proposed by PG&E, but the group argues that using the nuclear decommissioning trust fund to pay for these programs may not be reasonable or legal.⁵⁵ Similarly, EPUC states that PG&E's proposal would result in employee re-training and retention costs being recovered through the nuclear decommissioning trust.⁵⁶ EPUC and the Mothers for Peace have misunderstood PG&E's ratemaking proposal for these programs. While the

⁵³ Nearby Cities Protest, p. 3.

⁵⁴ *Id.*, pp. 10 and 16.

⁵⁵ SLOMFP Protest, pp. 7-8.

⁵⁶ EPUC Protest, p. 3.

Employee Severance Program for Diablo Canyon has already been included in the nuclear decommissioning trust fund established through the NDCTP,⁵⁷ PG&E does not propose to include the costs of the other two components of the Employee Program – namely, the retention and retraining programs – into the nuclear decommissioning trust fund forecast. Rather, PG&E proposes to track the costs of these programs through a new Diablo Canyon Retirement Balancing Account (“DCRBA”) and to recover the costs through the Nuclear Decommissioning Non-bypassable Charge (“ND NBC”).⁵⁸ While the cost recovery would occur through the same rate component as recovery of the nuclear decommissioning trust fund, the DCRBA is separate from the nuclear decommissioning trust fund. The same distinction applies to the Community Impact Mitigation Program forecast of \$49.5 million, since that would be recovered as part of the Annual Electric True-Up advice letter and not put into the decommission trust fund, although it would also be collected through the ND NBC rate component.⁵⁹

More importantly, PG&E disagrees with the Mothers for Peace’s policy recommendation to require that shareholders, rather than customers, bear the cost of the Community and Employee Programs. The recovery of these costs in the ND NBC appropriately recognizes the benefit that all of the electric customers within PG&E’s service territory have derived from the successful, GHG-free, and cost-effective operation of Diablo Canyon over the decades. That record of success would not have been possible in the past, and will not be able to continue through 2025, without the active and full support of the local community and Diablo Canyon’s

⁵⁷ See D.14-02-082, p. 88 (adopting as part of the 2012 NDCTP PG&E’s forecast of the cost of the employee severance program into the decommissioning fund).

⁵⁸ PG&E Prepared Testimony, p. 7-11 and pp. 10-2 to 10-3.

⁵⁹ PG&E Prepared Testimony, pp. 10-13 to 10-14. Note, however, that PG&E’s proposal as part of the Community Program to continue providing emergency preparedness and response services would result in costs that would be forecast and collected through the nuclear decommissioning trust. *Id.*, p. 10-14.

employees. Providing the community and these employees transitional assistance and appropriate incentives to support the plant through its last day of operation is both reasonable and fair.

D. Relicensing Costs

Some parties oppose the Joint Proposal's treatment of relicensing costs and assert that PG&E should not be able to recover the costs that it has incurred to date.⁶⁰ While PG&E believes that its Prepared Testimony more than adequately demonstrates that these costs were reasonably and prudently incurred and should be recoverable in rates, this issue is clearly within scope in this proceeding.

A4NR's arguments regarding the relicensing cost issue may be read to suggest that PG&E's proposal to recover its costs of pursuing license renewal should be summarily rejected or barred, and thus A4NR's arguments require a response.

1. PG&E's Cost Recovery Request is Not Barred

A4NR argues that PG&E's request to recover the costs associated with preserving the option of license renewal should be barred under the legal doctrines of res judicata, collateral estoppel, and the prohibition against retroactive ratemaking.⁶¹ None of these doctrines prohibits PG&E from applying for recovery of license renewal costs, and therefore the Commission should reject any implication of A4NR's protest that the request for such cost recovery should be dismissed at this point in the proceeding.

"The doctrine of res judicata precludes parties or their privies from relitigating a cause of action that has been finally determined by a court of competent jurisdiction. Any issue

⁶⁰ See e.g., TURN Protest, pp. 4-5; Mothers for Peace Response, p. 8.

⁶¹ While A4NR is a signatory to the Joint Proposal, it reserved the right to contest recovery of NRC license renewal costs. A4NR Protest, p. 9.

necessarily decided in such litigation is conclusively determined...”⁶² Collateral estoppel, also called issue preemption, similarly arises where a specific issue has been finally determined in a prior decision after a full and fair opportunity for it to be litigated.

A4NR does not articulate how it believes res judicata or collateral estoppel applies in this case, but it appears that A4NR believes that PG&E’s request for cost recovery may be barred because it “involves past costs that had never previously been authorized for rate recovery and violates the spirit and the letter of the Commission’s prior rate orders.”⁶³ As to A4NR’s first theory, the fact that the Commission has not previously authorized rate recovery of license renewal costs cannot be said to be a final determination rejecting a request for such recovery. Rather, A4NR’s claim merely points to the fact that there has not been any final decision on the merits of this request.

A4NR’s second theory of preemption is that the request violates a Commission order. Here, A4NR appears to refer to a decision on PG&E’s 2007 GRC, in which the Commission approved the funding of a license renewal feasibility study and required PG&E to file an application by June 2011 that evaluated “whether license renewal is cost effective and in the best interest of ratepayers.”⁶⁴ Yet A4NR acknowledges that PG&E did in fact file such an application on January 29, 2010,⁶⁵ and further acknowledges that the Commission dismissed that application without prejudice to reopening the issue later.⁶⁶ Nothing in the history of the issue that A4NR

⁶² D.12-07-025, 2012 Cal. PUC LEXIS 323, 4-5 (Cal. PUC 2012) (citing *Thibideau v. Crumb*, 4 Cal.App.4th 749, 754 (1992)). See also Cal. Pub. Util. Code § 1709 (“In all collateral actions or proceedings, the orders and decisions of the commission which have become final shall be conclusive.”).

⁶³ A4NR Protest, p. 9.

⁶⁴ A4NR Protest, p. 8; D.07-03-044, p. 103.

⁶⁵ A4NR Protest, p. 6 (fn. 10).

⁶⁶ *Id.*, p. 8.

itself presents can be said to be a violation of a Commission order. PG&E filed an application as required; the application was dismissed without prejudice; and the present Application complies with the Commission's earlier order by concluding based upon changed circumstances that license renewal is neither cost-effective nor in the best interests of ratepayers. In short, A4NR fails to present any facts supporting its claim that *res judicata* or collateral estoppel should apply.

Citing the same theories, A4NR also claims that recovery of license renewal costs is barred by the doctrine prohibiting retroactive ratemaking.⁶⁷ The doctrine of retroactive ratemaking stems from California Public Utilities Code Section 728, which states:

Whenever the commission, after a hearing, finds that the rates or classifications, demanded, observed, charged, or collected by any public utility for or in connection with any service, product, or commodity, or the rules, practices, or contracts affecting such rates or classifications are insufficient, unlawful, unjust, unreasonable, discriminatory, or preferential, the commission shall determine and fix, by order, the just, reasonable, or sufficient rates, classifications, rules, practices, or contracts to be *thereafter* observed and in force. (emphasis added)

The purpose of this doctrine is to finalize the accounts as to both customers and utilities for services for which rate recovery has been approved by final decision in the past. In this regard, the doctrine is similar to *res judicata* and collateral estoppel, described above, in that it relies upon ratemaking to have been determined by a final decision. For the same reasons described above, A4NR's argument that recovery of license renewal costs is barred by the doctrine against retroactive ratemaking must fail. A4NR has failed to point to any final decision adjudicating or otherwise determining the amount of license renewal costs that PG&E may recover. The Application presents an issue for Commission decision that has not previously

⁶⁷ *Id.*, p. 9.

been considered and decided, and it should not be barred under the doctrines referenced by A4NR.

2. PG&E's Cost Recovery Request is Supported by Substantial Evidence

A4NR's secondary argument against license renewal cost recovery is that PG&E "has failed to demonstrate the prudence of its activities or the reasonableness of its license-renewal costs."⁶⁸ While PG&E does not contest A4NR's right to contest PG&E's request, to conduct discovery, to examine PG&E's witnesses, and to set forth its own evidence, A4NR is wrong in asserting that PG&E has not and cannot create an evidentiary record upon which the Commission could grant PG&E's request.

PG&E served Prepared Testimony on the issue of license renewal and made its supporting workpapers available to parties. This testimony provides a detailed account of both the costs incurred for the license renewal activities and the reasons for both undertaking those activities at the time the costs were incurred and for the subsequent decision to suspend the license renewal project. PG&E agrees with A4NR that the reasonableness of PG&E's license renewal costs is an issue appropriately within the scope of this proceeding, and PG&E intends to put forward evidence sufficient to meet its burden of proof on this issue. The reasonableness of these costs is an issue of fact that should be decided only after all evidence has been introduced into the record, but at this time the evidentiary record consists entirely of PG&E's testimony demonstrating the reasonableness of the costs. There is certainly no basis for the Commission to dismiss PG&E's request based upon a lack of evidence, as suggested by A4NR. Indeed, A4NR

⁶⁸ *Id.*, p. 9.

appears ultimately to concede that the Commission can only decide the issue of recovery of license renewal costs after all evidence has been submitted.⁶⁹

III. SCHEDULE AND NEED FOR HEARINGS

PG&E's Application included a proposed schedule for this proceeding that was intended to balance the need for a fully transparent public vetting of the Joint Proposal while allowing key elements of the Joint Proposal to go into effect as intended through adoption of a final Commission decision by June 2017.⁷⁰

Some of the parties have proposed changes to this schedule. Specifically, a number of protests and responses describe PG&E's proposed schedule as too aggressive and propose lengthening the schedule in order to accommodate longer periods for discovery or workshops.⁷¹ PG&E summarized the specific proposals for alternative schedules set forth by parties in Attachment B.⁷² In response to these requests, PG&E proposes a revised schedule in Attachment B that provides additional time to meet other parties' requests and still enable the Commission to issue a final decision by August of 2017. PG&E's revised proposed schedule is in the table below:

| Activity | Application Proposal | Revised PG&E Proposal |
|----------------------|----------------------|-----------------------|
| Intervenor Testimony | 10/28/2016 | 12/2/2016 |
| Rebuttal Testimony | 11/30/2016 | 1/27/2017 |
| Hearings | 12/13/2016 | 3/6/2017 |

⁶⁹ *Id.*, p. 13 (“A4NR intends to cross-examine PG&E’s witnesses, present its own evidence, and file briefs on [license renewal costs].”).

⁷⁰ Application, p. 18.

⁷¹ *See, e.g.*, A4NR Protest, p. 15 (requesting additional time for discovery);

⁷² Some parties commented on the schedule, but did not propose specific alternative dates. Attachment B is intended to reflect the specific schedules proposed by parties.

| | | |
|-------------------|-----------|-----------|
| Opening Brief | 1/16/2017 | 3/31/2017 |
| Reply Brief | 2/3/2017 | 4/21/2017 |
| Proposed Decision | 5/2017 | 7/2017 |
| Final Decision | 6/2017 | 8/2017 |

Several parties also propose workshops to address some of the issues in this proceeding.⁷³

PG&E does not oppose holding a workshop early in this proceeding to clarify the scope of disputed issues, but any such workshop should be accommodated within PG&E’s overall revised timeline for a decision in this proceeding. PG&E filed this Application in order to address those issues associated with Diablo Canyon’s retirement that require authorization from the Commission and action by PG&E in the near-term. As discussed above, it is critical that we get started as soon as possible with the process for replacement of Diablo Canyon’s energy so that there is sufficient time to evaluate resource needs, authorize competitive solicitations, select projects, get the projects approved by the Commission, and get the new projects permitted and constructed under the tight timeframes proposed in the Application. It is equally important that we move quickly to obtain approval of the Employee Program to avoid uncertainty for Diablo Canyon’s employees that could threaten the continued operation of the plant⁷⁴ and provide clarity on the economic impact mitigation funding that will be provided to the local community. These issues require resolution on the timeline set forth in the revised procedural schedule in Attachment B.

⁷³ See e.g., MCE Protest, p. 13.

⁷⁴ As IBEW and the CCUE correctly stated in their response, “[f]ailing to approve the employee package is the fastest way to ensure a major exodus of people with the obvious effect that the plant would have to close prematurely and precipitously.” See IBEW and CCUE Response, p. 2.

IV. CATEGORIZATION

PG&E proposed in the Application that this proceeding be categorized as ratesetting.⁷⁵

No party opposed that categorization.

V. CONCLUSION

PG&E joined with labor, leading environmental organizations, and a community-based nuclear safety advocacy group in the Joint Proposal, all united in the commitment to helping California achieve its clean energy vision. To achieve goal, PG&E respectfully requests that the Commission issue a scoping order in this proceeding that adopts the scope of issues, schedule, and categorization set forth in the Application.

Respectfully submitted,

By: /s/ William V. Manheim
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⁷⁵ Application, p. 15.

**ATTACHMENT A
LIST OF RESPONSES AND PROTESTS**

| Name of Party | Acronym/Name | Type of Filing |
|--|---------------------|-----------------------|
| Alliance for Nuclear Responsibility | A4NR | Protest |
| Alliance for Retail Energy Markets/Direct Access Customer Coalition | AReM/DACC | Response |
| California Clean DG Coalition | CCDG | Protest |
| California Energy Efficiency Industry Council | CEEIC | Response |
| California Energy Storage Alliance | CESA | Response |
| California Large Energy Consumers Association | CLECA | Protest |
| California Solar Energy Industries Association | CalSEIA | Protest |
| Californians for Green Nuclear Power | CGNP | Protest |
| Center for Climate Protection | CCP | Protest |
| Center for Energy Efficiency and Renewable Technologies | CEERT | Response |
| Central Coast Wave Energy/Friends of Wild Cherry Canyon | Central Coast | Protest |
| City and County of San Francisco | CCSF | Protest |
| City of Lancaster | Lancaster | Protest |
| City of San Luis Obispo/City of Pismo Beach/City of Paso Robles/City of Arroyo Grande/City of Morro Bay/City of Atascadero | Nearby Cities | Protest |
| Comverge, Inc/ CPower/ Enernoc, Inc./ Energy Hub | Joint DR Parties | Response |
| County of San Luis Obispo | San Luis | Response |
| Energy Producers and Users Coalition | EPUC | Protest |
| Energy Users Forum | EUF | Protest |

| | | |
|---|-------------------|----------|
| Environmental Defense Fund | EDF | Response |
| Environmental Progress | EP | Protest |
| Friends of the Earth/ Natural Resources Defense Council/ Environment California | FOE/NRDC/EC | Response |
| Green Power Institute | GPI | Protest |
| IBEW Local Union 1245 and the Coalition of California Utility Employees | IBEW/CCUE | Response |
| Independent Energy Producers Association | IEP | Response |
| Large-Scale Solar Association | LSA | Response |
| LEAN Energy US | LEAN | Protest |
| Marin Clean Energy | MCE | Protest |
| Office of Ratepayer Advocates | ORA | Protest |
| OhmConnect Inc. | OhmConnect | Response |
| San Luis Coastal Unified School District | SLCUSD | Response |
| San Luis Obispo Mothers for Peace | Mothers for Peace | Response |
| Shell Energy North America (US) LP | Shell | Protest |
| Sierra Club | Sierra Club | Protest |
| SolarCity Corporation | SolarCity | Protest |
| Sonoma Clean Power Authority | SCP | Protest |
| South San Joaquin Irrigation District | SSJID | Response |
| The Utility Reform Network | TURN | Protest |
| Women's Energy Matters | WEM | Protest |
| World Business Academy | WBA | Protest |

**Attachment B
Proposed Schedules**

| Activity | Application Proposal | TURN and EUF | MCE | Mothers for Peace | A4NR | CLECA | CEERT | WEM | Revised PG&E Proposal |
|----------------------|-----------------------------|---------------------|------------|--------------------------|-------------|--------------|--------------|------------|----------------------------------|
| Intervenor Testimony | 10/28/2016 | 1/2017 | 11/16/2016 | 2/15/2017 | 11/28/2016 | 1/27/2017 | 12/12/2016 | 12/5/2016 | 12/2/2016 |
| Rebuttal Testimony | 11/30/2016 | 2/2017 | 12/14/2016 | 3/15/2017 | | 2/2017 | 1/12/2017 | 1/4/2017 | 1/27/2017 |
| Hearings | 12/13/2016 | 3/2017 | 1/10/2017 | 4/10/2017 | 1/3/2017 | 3/2017 | 1/30/2017 | 1/17/2017 | 3/6/2017 |
| Opening Brief | 1/16/2017 | 4/2017 | 2/13/2017 | 5/8/2017 | 2/6/2017 | 4/2017 | 2/24/2017 | 2/16/2017 | 3/31/2017 |
| Reply Brief | 2/3/2017 | 5/2017 | 3/3/2017 | 6/12/2017 | 2/21/2017 | 5/2017 | 3/13/2017 | 3/2/2017 | 4/21/2017 |
| Proposed Decision | 5/2017 | 7/2017 | 5/2017 | 10/2017 | 6/2017 | 7/2017 | 6/2017 | | 7/2017 |
| Final Decision | 6/2017 | 8/2017 | 6/2017 | 12/2017 | 7/2017 | 8/2017 | 7/2017 | 7/2017 | 8/2017 |

PG&E's revised Proposed Schedule does not include potential workshops.