

March 28, 2001

ADVICE 2095-E

Public Utilities Commission of the State of California

Subject: Humboldt Bay Power Plant Unit 3 Nuclear Decommissioning

Pacific Gas and Electric Company (PG&E) hereby requests approval of its proposal to disburse up to \$8.3 million from the Humboldt Bay Unit 3 Nuclear Decommissioning Master Trusts (Trusts) for continued early decommissioning work at Humboldt Bay Power Plant Unit 3 (HBPP Unit 3). HBPP Unit 3 is a 65 megawatt boiling water reactor that began commercial operation in 1963, ceased operation in 1976, and was placed in the SAFSTOR custodial mode in 1988 to await final decommissioning.

Purpose

PG&E requests that the Commission authorize the use of not more than \$8.3 million of the Trust for the following: 1) decommissioning costs incurred above the \$15.7 million authorized in Resolution E-3503 for three partial decommissioning projects, due to a change in the project scope; 2) additional Independent Spent Fuel Storage Installation¹ (ISFSI) design and licensing expenditures above the previously authorized GRC funding of \$7 million; and 3) preparatory activities to be performed from 2001 through 2003 in anticipation of the potential transition from SAFSTOR to DECON status in 2004.

Background

1. Recovery of Additional Costs for Previously Authorized DECON Activities

On June 13, 1997, PG&E filed Advice 1678-E, requesting approval of its plan to begin drawing upon the Trusts for the limited purpose of funding the following three projects:

- Mitigation of Caisson In-Leakage Project;
- Removal and Replacement of the Ventilation Stack and Related Activities; and
- Site Radiological Survey to Support the Decommissioning Cost Study.

In Resolution E-3503, the Commission approved the disbursement of \$15.7 million from the Trusts for these projects. PG&E requests that the Commission authorize disbursement of an additional \$950,000 from the Trusts to fund an increase in costs attributable to additional project scope for two of the projects.

The three projects represented activities that were part of the original decommissioning cost estimate. The Commission found in Finding 4 of Resolution

¹ Also referred to as "Dry Cask Storage" in the supporting documents and final decision for the 1999 GRC.

3503-E that these “projects are decommissioning projects and not O&M projects.” Additionally, Finding 5 found that performance of the projects now could “avoid further, potentially costly, expenditures.” The projects were cost-effective to perform immediately compared to other alternatives, such as delaying the projects until full decommissioning commences. The explanations for the additional costs, which are related to expanded project scope, are provided in Attachment 1. None of the activities contributing to the cost increase were in any way related to SAFSTOR maintenance activities.

2. Additional Funding for ISFSI Design and Licensing

Decision (D.) 00-02-046, Conclusion of Law 38, “affirmed PG&E’s request for authorization to disburse up to \$7 million from the HBPP Unit 3 decommissioning trust funds for the purpose of securing the NRC licenses needed for PG&E’s proposed dry cask storage facility.” (*mimeo*, at page 539) In the same decision, at page 385, the Commission acknowledged, “PG&E has an idea of what the costs of obtaining the license and constructing the dry cask storage will be, but it does not know for sure.”

On May 18, 2000, PG&E received bids from five vendors to design, license, fabricate and deliver a dry cask storage system per specifications provided in PG&E’s Request for Proposal (RFP) No. F-002-00-BRP. After six weeks of review by commercial and technical review teams, a recommended vendor was selected on July 12, 2000. Based on the costs incurred to date, the costs presented in the recommended bid, and the projected remaining costs, including required hearings and NRC reviews, the estimated actual cost for designing and licensing a dry cask storage system at HBPP Unit 3 is \$10.5 million, including escalation and contingency.

PG&E requests that the Commission authorize disbursement of an additional \$3.5 million from the trust to fund the estimated difference in cost between the original design and licensing estimate and the current projected cost of this activity. Even with this expected cost increase, substantial cost savings in excess of that amount could be achieved if PG&E ultimately receives authorization from the Nuclear Regulatory Commission to license an ISFSI at the HBPP Unit 3 site. A detailed discussion of ISFSI design and licensing costs is presented in Attachment 2.

The \$3.5 million additional disbursement request reflects the expected increased cost of licensing an ISFSI at the HBPP site. This would provide additional flexibility to meet unanticipated costs associated with site-specific cask design issues, ISFSI pad design issues, cask seismic anchorage issues, normal Nuclear Regulatory Commission review, and public hearings. However, if PG&E’s ISFSI licensing submittal to the NRC is subjected to an atypical regulatory review of the seismic hazard study or unexpected contentions are raised resulting in extensive and protracted hearings, additional funding for the licensing of the ISFSI may be required. Contingency for this eventuality was not requested in this filing because these outcomes were judged improbable.

3. Pre-Decommissioning Preparatory Activities

PG&E requests that the Commission authorize disbursement of not more than \$3.8 million to begin initial decommissioning activities during the period 2001 through 2003 while ISFSI licensing is pursued. These are preliminary activities that can be undertaken in the next 3 years to prepare the plant for an efficient decommissioning as early as 2004. Because these activities must be performed regardless of when decommissioning occurs, they do not significantly prejudice the financial analysis. HBPP has developed a pre-decommissioning plan in conjunction with an experienced decommissioning contractor. Based on industry experience, the following specific projects are recommended:

- Plant Systems and Structures Radiological Characterization;
- Activation Analysis of the Reactor Vessel, Reactor Internals and Surrounding Structures;
- Asbestos Removal;
- Development of a Low Level Waste Management Plan; and,
- Miscellaneous Decommissioning Planning Activities.

The pre-decommissioning plan and the recommended projects are described more extensively in Attachment 3. These projects form the basis for the pre-decommissioning activity funding request of \$3.8 million.

The proposed activities are part of the original Decommissioning Cost Estimate approved in D. 85-12-022. These activities were also included in the Decommissioning Cost Estimate filed in PG&E's 1999 General Rate Case, Application 97-12-022. They are distinct from the maintenance activities performed under SAFSTOR. The cost of these projects will offset future spending when full decommissioning of Humboldt Unit 3 commences. Further, completion of these activities in advance of full-scale decommissioning will reduce the duration of the decommissioning planning period, and subsequently, the overall duration of the decommissioning period.

The Nuclear Decommissioning Master Trusts were established in D. 85-12-022, to allow PG&E "to recover from its ratepayers the cost of decommissioning the prudently constructed plant at Humboldt Bay Power Plant Unit 3." As of December 31, 2000, the expected liability to decommission HBPP Unit 3 is fully funded by trust assets with a market value of \$216 million. The \$8.3 million requested in this filing represents approximately 3 percent of the total current value of the trusts. PG&E customers will see no change in their rates as a result of drawing upon the Trusts for these activities.

In accordance with Ordering Paragraph 6 of D. 85-12-022, PG&E discussed its plans for these activities with the Energy Division (formerly known as the Evaluation and Compliance Division). Although not required by D. 85-12-022, PG&E also discussed its plans with the Commission's Office of Ratepayer Advocates and the Redwood Alliance. Although no approval for the projects is required from the Nuclear Regulatory Commission (NRC), PG&E has apprised the NRC staff of its desire to proceed with these activities. The activities will be conducted in full compliance with existing NRC regulatory requirements.

D. 85-12-022 requires that PG&E indicate whether an Independent Board of Consultants and/or a cost monitoring system are appropriate for the decommissioning activities. Due

to the limited nature and cost of these activities relative to full decommissioning of HBPP Unit 3, PG&E believes that establishing such a board at this time is unnecessary. PG&E proposes to establish and maintain separate accounting to record the costs of these activities, and the related transactions with the Trusts, to permit cost monitoring.

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

Effective Date

PG&E requests that this advice letter become effective on **May 7, 2001**, which is 40 days after the date of filing.

Protests

Anyone wishing to protest this advice letter may do so by sending a letter within twenty (20) days after the date of this filing. Protests should be mailed to:

IMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division, and to Juanita Porter of the Energy Division at the address above. A copy of the protest should be sent by U.S. mail and via facsimile to:

Pacific Gas and Electric Company
Attention: Les Guliasi
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226

The protest shall set forth the grounds upon which it is based, and shall be submitted expeditiously. There is no restriction on who may file a protest.

Notice

In accordance with Section III, Paragraph G, of General Order 96-A, PG&E is mailing copies of this advice letter to the utilities and interested parties shown on the attached list. For mailing list changes, please telephone Nelia Avendano at (415) 973-3529.

Vice President - Regulatory Relations

Attachments

Cc: Honorable Virginia Strom–Martin, California Assembly
Redwood Alliance