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12-21-12

10:55 AM

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric
Company in its 2012 Nuclear
Decommissioning Cost Triennial
Proceeding

U 39 E

Application No. _____

A1212012

**APPLICATION OF PACIFIC GAS AND ELECTRIC
COMPANY IN ITS 2012 NUCLEAR DECOMMISSIONING
COST TRIENNIAL PROCEEDING**

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December 21, 2012

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I. INTRODUCTION

Pacific Gas and Electric Company (PG&E or the Company) hereby submits its Application in the 2012 Nuclear Decommissioning Cost Triennial Proceeding (NDCTP) in accordance with Sections 8321 *et seq.* of the California Public Utilities Code,¹ various California Public Utilities Commission (CPUC or Commission) decisions, and Article 2 of the Commission's Rules of Practice and Procedure. The purpose of the NDCTP is to provide a forum for the review of PG&E's updated nuclear decommissioning cost studies and ratepayer contribution analyses in support of requests to fully fund the nuclear decommissioning master trusts to the level needed to decommission PG&E's two nuclear plants, the Diablo Canyon Power Plant (Diablo Canyon) and Humboldt Bay Power Plant Unit 3 (Humboldt Unit 3 or Humboldt). In addition, funds for Humboldt Unit 3 SAFSTOR Operations and Maintenance (O&M) costs are included in this proceeding. PG&E also demonstrates the reasonableness of decommissioning projects at Humboldt Unit 3 completed since the last NDCTP; PG&E's efforts to retain qualified personnel for decommissioning activities at Humboldt Unit 3; and the variances in actual versus forecast SAFSTOR expenses.

¹ All Sections, unless otherwise indicated, refer to the California Public Utilities Code.

In this Application, PG&E requests that effective January 1, 2014² the Commission authorize PG&E to collect an estimated \$82.517 million in annual revenue requirements for contributions to the tax qualified Diablo Canyon ND Trusts for Units 1 and 2; and \$120.383 million in annual revenue requirements for contributions to the tax qualified Humboldt Unit 3 Trust. As explained in more detail in PG&E's prepared testimony, to conform to the provisions of the Nuclear Decommissioning Act of 1985 (the Act), the actual revenue requirement request for 2014 for the Diablo decommissioning trusts will be revised in early 2014 by advice letter to conform with requirements of the Internal Revenue Service. This revision will be made to reflect a true-up as of December 31, 2013, adjusting projected earnings of the decommissioning funds through 2013 to reflect actual earnings of the trust funds. This will help prevent over-funding (or under-funding) of the trusts. These revisions will also include information used in determining the revenue requirements, as adopted by the Commission, required for PG&E to obtain a favorable ruling from the Internal Revenue Service for qualified trust funding.

In addition to revenue requirements for funding the decommissioning trusts, PG&E is also requesting in this Application \$9.997 million in 2014 revenue requirements to cover the costs of operating and maintaining the Humboldt Unit 3 site in a safe condition (SAFSTOR); \$9.876 million in such annual revenue requirements for 2015; and \$9.475 million in annual revenue requirements for 2016 and thereafter. PG&E is requesting a modification to the manner in which it true-ups actual and forecast SAFSTOR expenses to reflect the fact that it no longer plans to contribute to a tax non-qualified decommissioning trust for Humboldt Unit 3. SAFSTOR under-collections will continue to be handled in the true-up procedure adopted in Decision 10-07-047; *i.e.*, they will result in additional withdrawals from the trusts. Any over-collection will be credited against decommissioning costs otherwise recoverable from the qualified trust account rather than as a contribution to the trusts.

² As discussed more fully in PG&E's prepared testimony, current NDCTP rates and revenue requirements will remain in effect in 2013.

These individual elements sum to a total estimated CPUC-jurisdiction revenue requirement for ND of \$212.897 million, which is \$168.627 million more than PG&E's currently authorized decommissioning revenue requirement of \$44.27 million. Normally, PG&E would revise its revenue requirement as of January 1, 2013. However, as set forth in PG&E's prepared testimony, because of the authorized delay in the filing of this Application and to facilitate obtaining tax rulings from the IRS, PG&E plans to continue to collect revenue requirements currently in effect for 2012 in 2013, and is proposing that the new revenue requirement be effective January 1, 2014.

In addition, PG&E requests findings that (1) PG&E's expenditures of \$25,923,000 for the removal and disposal of the HBPP Unit 3 turbine building system, spent fuel racks, heat exchangers in refueling building and the condensate storage tank and concentrator waste tanks are reasonable and prudent; (2) PG&E has made reasonable efforts to retain and utilize sufficient qualified and experienced personnel to effectively, safely, and efficiently pursue physical decommissioning related activities; and (3) the differences between forecast and recorded SAFSTOR expenses are reasonable.

PG&E proposes that the revenue requirement associated with ND trust contributions and Humboldt Unit 3 SAFSTOR O&M costs continue to be collected through a non-bypassable charge as specified in Pub. Util. Code Section 379. The Nuclear Decommissioning Adjustment Mechanism (NDAM), as authorized in Decision 99-10-057, will be used to record each separate revenue requirement and the associated billed revenues.

II. LEGISLATIVE AND REGULATORY BACKGROUND

Section 8326 of the Public Utilities Code requires that electrical utilities owning, in whole or in part, or operating a nuclear facility in California, periodically revise their nuclear decommissioning cost estimate studies. These updated studies are to ensure that the decommissioning cost estimates take into account changes in technology and regulation of nuclear decommissioning, the operating experience of each nuclear facility, and the changes in

the general economy. The expenses associated with decommissioning nuclear facilities are to be paid with funds established pursuant to Section 8325. To the extent the monies available for decommissioning are insufficient to pay for all reasonable and prudent decommissioning costs, the Commission must authorize the electric utility to collect these charges from its customers.

In Decision (D.) 95-07-055, the Commission established investment guidelines for the nuclear decommissioning trust funds and reporting requirements for determining those costs. One of those requirements is that engineering cost studies and ratepayer contribution analyses continue to be performed every three years. In Decision 95-12-055 (PG&E's 1995 General Rate Case (GRC)), the Commission determined PG&E trust funding and addressed the tension between ensuring adequate funding of the trusts and avoiding over-funding at the expense of current customers:

“We retain our concern that nuclear decommissioning funds be adequate to cover future decommissioning costs, consistent with the legislative policy enunciated in the Nuclear Power Retirement Act of 1985. We are mindful, however, that today's forecasts of nuclear decommissioning costs occurring 10 to 20 years in the future are very speculative. Forecasts of economic activity and costs out that far into the future are always subject to substantial error. In the case of nuclear decommissioning costs, forecasts are likely to be even more speculative because of the nation's limited experience with such activity. Therefore, we would be fooling ourselves if we believed we could forecast those costs with any precision. Our goal is to have funds on hand that appear reasonably adequate. Moreover, in our efforts to protect future ratepayers from costs incurred by today's ratepayers we do not wish to impose costs on today's ratepayers which, if funding exceeds future costs, would represent a windfall to future ratepayers.”³

³ Decision 95-12-055, 63 CPUC2d 570, 612.

“In setting an annual nuclear decommissioning revenue requirement, our objective is to provide some insurance against a circumstance which would require significant rate increases in the future to retire plant that has served an earlier generation of users.”⁴

In Decision 96-12-088, the Commission determined that in the absence of GRCs, the NDCTP would establish the annual revenue requirement for ND expense over a three year period, and Decision 05-05-028 determined that PG&E should file applications for decommissioning in the NDCTP every three years, even though GRCs continued to determine utility rates.

PG&E filed its first NDCTP application on March 15, 2002. Joint hearings were held on common issues with Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E), although the proceedings were not consolidated. The Commission issued a decision in PG&E’s first NDCTP on October 2, 2003.⁵

The three California utilities again filed NDCTP applications on November 10, 2005. In response, the Assigned Commissioner’s scoping ruling concluded that the applications of all three utilities should be consolidated, rather than merely being coordinated. The Commission issued a decision in the 2005 NDCTP on January 11, 2007.⁶

The three California utilities filed their 2009 NDCTP applications on April 3, 2009. The Commission issued a 2009 NDCTP Phase 1 decision on August 5, 2010.⁷ A subsequent decision adopting the Recommendations of the Independent Panel on Nuclear Decommissioning Costs, Estimates, Assumptions, and Format was issued on July 14, 2011.⁸

⁴ *Id.* at, 613. The Commission reiterated these principles for the purpose of determining trust funding in D.00-02-046, mimeo at 372.

⁵ D.03-10-014.

⁶ D.07-01-003

⁷ D.10-07-047.

⁸ D.11-07-003.

Decision 11-07-003 directed PG&E, SCE and SDG&E to provide with their 2012 NDCTP Applications a common format in summary form identifying certain specified assumptions and trust fund forecasts. That information is provided as Exhibit A to this Application.

On July 5, 2011, the CPUC's executive director granted SCE's request on behalf of SCE, PG&E and SDG&E to extend the filing date for the 2012 NDCTP to December 14, 2012 so that the utilities would have time to incorporate the panel's recommendations into their cost estimates for use in this proceeding and on December 12, 2012, the CPUC's executive director granted a further request to extend the filing date to December 21, 2012.

III. OVERVIEW OF PREPARED TESTIMONY

PG&E's prepared testimony accompanying this Application consists of eight chapters of testimony and addresses the foregoing requirements, as follows:

Chapter 1 – Introduction and Policy: This chapter summarizes PG&E's request, provides the legislative and regulatory requirements for filing this Application, introduces the testimony, and explains the purpose of each of the subsequent chapters. It also contains PG&E's request that the Commission confirm PG&E's continuation of 2012 revenue requirements into 2012.

Chapter 2 – Diablo Canyon Power Plant Nuclear Decommissioning Cost Study: This chapter presents the results of the 2011 site-specific nuclear decommissioning cost study prepared by TLG Services, Inc., for the Diablo Canyon Power Plant Units 1 and 2 (Diablo Units 1 and 2). This testimony addresses the decommissioning alternatives evaluated, presents the cost and schedule estimates, and discusses current decommissioning regulatory guidance. The estimated cost of decommissioning Diablo Units 1 and 2 is incorporated into the analysis presented in Chapter 3.

Chapter 3 – Diablo Canyon Power Plant Nuclear Decommissioning Contributions: This chapter reviews the adequacy of the contributions to the tax qualified decommissioning trusts for Diablo Canyon and determines that, commencing January 1, 2014, the appropriate level of contributions is \$51.255 million per year for Unit 1 and \$30.021 million per year for Unit 2. These amounts are net of taxes and franchise fees and uncollectibles amounts, which are incorporated in Chapter 8.

Chapter 4 – Humboldt Bay Power Plant Unit 3 Nuclear Decommissioning Cost Report: This chapter presents the results of the 2011 site-specific Humboldt cost report prepared by PG&E’s nuclear decommissioning staff. This testimony presents the current cost and schedule estimates for the remaining decommissioning of Humboldt Unit 3. The estimated cost of decommissioning Humboldt Unit 3 is incorporated into the analysis presented in Chapter 5.

Chapter 5 – Humboldt Bay Power Plant Unit 3 Nuclear Decommissioning Contributions: This chapter reviews the adequacy of the contributions to the decommissioning trusts for Humboldt Bay Power Plant Unit 3, and determines that the appropriate level of contributions to the Humboldt tax qualified trust is \$120.383 million per year for the years 2014 through 2017. These amounts are net of taxes and franchise fees and uncollectibles amounts, which are incorporated in Chapter 8.

Chapter 6 – Humboldt Bay Power Plant Unit 3 - Nuclear Production Expenses: This chapter presents the 2014 nuclear operations and maintenance (O&M) production direct expenses for Humboldt Unit 3 relating to SAFSTOR and explains how the expenses were developed. It also addresses differences between the 2009 NDCTP forecast and actual SAFSTOR expenses.

Chapter 7 – Humboldt Bay Power Plant Unit 3 – Review of Decommissioning Activities: This chapter demonstrates (1) that PG&E has made all reasonable efforts to retain and utilize sufficient qualified and experienced personnel to effectively, safely, and efficiently pursue decommissioning and (2) the reasonableness and prudence of decommissioning projects completed during the period after the date of filing the 2009 NDCTP Application and as of

September 30, 2012. This chapter also discusses the status of decommissioning activities at Humboldt.

Chapter 8 – Nuclear Decommissioning Revenue Requirement Request: This chapter presents the expense and capital revenue requirements needed to support PG&E’s ND and Humboldt Unit 3 SAFSTOR activities beginning January 1, 2014. These revenue requirements are based on costs presented in Chapters 2, 3, 4, 5 and 6 of this application.

IV. INFORMATION REQUIRED BY THE COMMISSION’S RULES OF PRACTICE AND PROCEDURE

A. Statutory and Other Authority (Rule 2.1)

PG&E files this Application pursuant to Sections 454, 701, and 8321 *et. seq.* of the Public Utilities Code of the State of California, the Commission’s Rules of Practice and Procedure, and prior decisions, orders and resolutions of the Commission.

B. Legal Name and Principal Place of Business (Rule 2.1(a))

The legal name of the Applicant is Pacific Gas and Electric Company. PG&E’s principal place of business is 77 Beale Street, San Francisco, California 94105.

C. Correspondence and Communications (Rule 2.1(b))

Correspondence and communications regarding this application should be addressed to the following:

Lindsey How-Downing Law Offices 3060 El Cerrito Plaza #175 El Cerrito, CA 94530 Telephone: 510-525-6039 Facsimile: 775-562-6124 Email: lhowdowning@sbcglobal.net	Conor Doyle P. O. Box 770000 Mail Code: B10A San Francisco, CA 94177 Telephone: 415-973-7817 Facsimile:: 415-973-6520 Email: JCDDT@pge.com
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D. Categorization, Hearings, And Issues To Be Considered (Rules 2.1(c) and 7.1)

1. Proposed Categorization

PG&E proposes that this Application be categorized as a ratesetting proceeding.

2. Need for Hearings

PG&E anticipates that hearings will be requested. PG&E's proposed schedule is set forth below.

3. Issues to Be Considered

PG&E proposes the following issues be considered in this proceeding:

- a. Whether the Commission, subject to the advice filing update described herein, will authorize PG&E to collect, commencing January 1, 2014, annual revenue requirements of \$82.517 million for contribution to the Diablo Canyon Unit 1 and Unit 2 Decommissioning Trusts.
- b. Whether the Commission will authorize PG&E to collect, commencing January 1, 2014, revenue requirements of \$120.383 million for contribution to the Humboldt Unit 3 Decommissioning Trusts.
- c. Whether the Commission will authorize PG&E to collect estimated annual revenue requirements of \$9.997 million for funding Humboldt SAFSTOR O&M in 2014, \$9.876 million for Humboldt Unit 3 SAFSTOR O&M costs in 2015, and \$9.475 million for Humboldt Unit 3 SAFSTOR O&M in 2016 and thereafter.
- d. Whether the Commission will find that the decommissioning cost estimates and associated trust contribution analyses for Diablo Canyon Units 1 and 2 and HBPP Unit 3 are reasonable and in accordance with Sections 8321 through 8330 of the California Public Utilities Code.
- e. Whether the Commission will find that PG&E's activities and associated costs for completed projects with respect to Humboldt decommissioning were reasonable.
- f. Whether the Commission will find that PG&E has made all reasonable efforts to retain and utilize qualified and experienced

personnel to effectively, safely, and efficiently pursue physical decommissioning related activities.

- g. Whether the Commission will find that the variances in actual versus forecast SAFSTOR expenses are reasonable.
- h. Whether the Commission will authorize PG&E, if actual expenditures on decommissioning of Humboldt should exceed the balance in the trusts fund, to record any such excess amounts in an account for which it could seek recovery in the next NDCTP.

4. Schedule

PG&E proposes the following schedule:

Application Filed	December 21, 2012
PG&E Application is noticed on CPUC Calendar	December 24, 2012
Protests/Responses Due	January 23, 2013
Responses	February 4, 2013
Prehearing Conference	February 15, 2013
Intervenor Testimony	March 13, 2013
Rebuttal Testimony	April 8, 2013
Evidentiary Hearings	May 21, 2013 – May 24, 2013
Opening Briefs	June 24, 2013
Reply Briefs due	July 8, 2013
Proposed Decision Issued	September 6, 2013
Comments on Proposed Decision Due	September 26, 2013
Reply Comments on Proposed Decision Due	October 1, 2013
CPUC Final Decision	November 2013

E. Articles of Incorporation (Rule 2.2)

PG&E is, and since October 10, 1905, has been, an operating public utility corporation organized under California law. It is engaged principally in the business of furnishing electric and gas services in California. A certified copy of PG&E's Restated Articles of Incorporation, effective April 12, 2004, was filed with the Commission on May 3, 2004 with PG&E's Application 04-05-005. These articles are incorporated herein by reference.

F. Balance Sheet and Income Statement (Rule 3.2(a)(1))

PG&E's Balance sheet and Income statement for the three months ending September 30, 2012 were filed with the Commission on November 15, 2012 in Application 12-11-009 and are incorporated herein by reference.

G. Statement of Presently Effective Rates (Rule 3.2(a)(2))

PG&E's presently effective electric rates are included in PG&E's exhibits submitted in support of A.12-11-009 filed with the Commission on November 15, 2012, and are incorporated herein by reference.

H. Statement of Proposed Changes and Results of Operations at Proposed Rates (Rule 3.2(a)(3))

PG&E's proposed changes to presently effective electric rates are as follows:
(Dollars in Thousands)

Customer Class	Bundled Rates ⁹		Direct Access/Community Choice Aggregation ¹⁰	
	Proposed Change	%Change	Proposed Change	% change
Residential	\$47,862,286	0.9%	\$668,980	2.2%
Small Commercial	\$17,837,793	1.1%	\$229,868	1.9%

⁹ Customers who receive electric generation as well as transmission and distribution service from PG&E.

¹⁰ Customers who purchase energy from non-PG&E suppliers.

Medium Commercial	\$17,704,855	1.3%	\$2,025,194	2.6%
Large Commercial	\$22,762,641	1.5%	\$6,758,163	3.2%
Streetlights	\$791,482	1.1%	-	-
Standby	\$865,095	1.7%	\$17,037	2.8%
Agriculture	\$10,594,348	1.4%	\$81,388	2.8%
Industrial	\$20,442,271	1.8%	\$10,293,426	4.5%
Total	\$138,860,771	1.2%	\$20,074,056	3.5%

For the departing load customer group (customers who self-generate or receive service from a publicly owned utility), the total non bypassable rate component revenue increase would be \$4.933 million or an average of 14.4% over current rates.

I. General Description of PG&E’s Electric Department Plant (Rule 3.2(a)(4))

A detailed description of PG&E’s properties and equipment is included in PG&E’s exhibits submitted in support of A.12-11-009, which description is incorporated herein by reference.

J. Summary of Earnings (Rule 3.2(a)(5) and Rule 3.2(a)(6))

The revenues, expenses, rate bases and rate of return for PG&E’s Electric Department for the recorded year of 2011 is included in PG&E’s exhibits submitted in support of A.12-11-009, and are incorporated herein by reference.

K. Statement of Election of Method of Computing Depreciation Deduction for Federal Income Tax (Rule 3.2(a)(7))

A statement of the method of computing the depreciation deduction for federal income tax purposes is included in PG&E’s exhibits submitted in support of A.12-11-009, and is incorporated herein by reference.

L. Most Recent Proxy Statement (Rule 3.2(a)(8))

PG&E's most recent proxy statement dated April 2, 2012 was sent to the Commission on April 20, 2012, in Application 12-04-018. This proxy statement is incorporated herein by reference.

M. Type of Rate Change Requested (Rule 3.2(a)(10))

This proposed change reflects changes in PG&E's base revenues to reflect the increased costs to maintain and decommission the projects described in this Application and accompanying testimony associated with PG&E's nuclear generation facilities.

N. Notice and Service of Application (Rules 3.2(b)-(d))

Within twenty (20) days after filing this Application, PG&E will mail a notice stating in general terms the proposed revenues, rate changes, and ratemaking mechanisms requested in this Application to the parties listed in Exhibit B, including the State of California and cities and counties served by PG&E. PG&E will publish in newspapers of general circulation in each county in its service territory a notice of filing this Application. PG&E will also include notices with the regular bills mailed to all customers affected by the proposed changes.

Since this is a new application, a service list has not yet been established. PG&E has served this Application on the official service list for Application 09-11-007, PG&E's 2009 Nuclear Decommissioning Cost Triennial Proceeding; and Application 12-11-009, PG&E's GRC.

Prepared testimony and workpapers supporting this Application will be served on the Commission on December 21, 2012. Other parties may request and will be provided testimony and workpapers by contacting Ed Lucha at (415) 973-7817.

IV. REQUESTED RELIEF

Wherefore, PACIFIC GAS AND ELECTRIC COMPANY respectfully requests the Commission to issue an order:

1. Authorizing PG&E to collect through Commission-jurisdictional electric rates effective January 1, 2014, \$82.517 million in annual revenue requirements for the Diablo Canyon Units 1 and 2 Nuclear Decommissioning Trusts, as adjusted by advice filing update described herein.
2. Authorizing PG&E to collect through Commission-jurisdictional electric rates effective January 1, 2014, \$120.383 million in annual revenue requirements for the Humboldt Unit 3 Nuclear Decommissioning Trusts, as described herein.
3. Authorizing PG&E to collect through Commission-jurisdictional electric rates an estimated \$9.997 million for funding Humboldt Unit 3 SAFSTOR O&M costs in 2014, \$9.876 million for Humboldt Unit 3 SAFSTOR O&M costs in 2015 and \$9.475 million for Humboldt Unit 3 SAFSTOR O&M in 2016 and thereafter.
4. Finding that the decommissioning cost estimates and associated trust contribution analyses are reasonable and in accordance with Sections 8321 through 8330 of the California Public Utilities Code.
5. Authorizing PG&E to continue to collect the revenue requirement associated with ND trust contributions and Humboldt Unit 3 SAFSTOR O&M costs through a non bypassable charge as specified in Pub. Util. Code Section 379, and to continue to utilize the NDAM as authorized in D. 99-10- 057;
6. Finding that PG&E has made all reasonable efforts to retain and utilize qualified and experienced personnel to effectively, safely, and efficiently pursue physical decommissioning related activities;
7. Finding that the costs incurred for completed decommissioning projects at Humboldt Unit 3 are reasonable and prudently incurred;
8. Finding that the variances in actual versus forecast SAFSTOR expenses are reasonable;
9. Authorizing PG&E to modify the manner in which it trues up actual and forecast SAFSTOR expenses so that SAFSTOR under-collections will be trued-up through additional withdrawals from the trusts, and over-collections will be credited against decommissioning costs otherwise recoverable from the trusts;
10. Authorizing PG&E, if actual expenditures on decommissioning of Humboldt should exceed the balance in the trust funds, to record any such excess amounts in an account for which it could seek recovery in the next NDCTP;

11. Affirming PG&E's treatment of ND revenue requirements and trust contributions in 2013; and
12. Granting such additional relief as the Commission may deem proper.

Respectfully Submitted,

LINDSEY HOW-DOWNING

By: _____ /s/
LINDSEY HOW-DOWNING

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December 21, 2012

Attorney for
PACIFIC GAS AND ELECTRIC COMPANY

VERIFICATION

I, the undersigned, say:

I am an officer of PACIFIC GAS AND ELECTRIC COMPANY, a corporation, and am authorized to make this verification for and on behalf of said corporation, and I make this verification for that reason; I have read the foregoing Application and am informed and believe that the matters contained therein are true and on that ground I allege that the matters stated herein are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed at San Francisco, California, this 21st day of December, 2012.

/s/
Edward D. Halpin
Senior Vice President and Chief Nuclear Officer