



**FILED**

06-23-10

04:11 PM

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

Application of Pacific Gas and Electric Company to Recover the Costs Associated with Renewal of the Diablo Canyon Power Plant Operating Licenses. (U39E)

Application 10-01-022  
(Filed January 29, 2010)

**ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING**

**1. Scope of Proceeding**

Pacific Gas and Electric Company (PG&E) requests a finding that it is cost effective and in the best interest of PG&E's customers to preserve the option to operate Diablo Canyon Power Plant (Diablo Canyon or DCPP) for an additional 20 years beyond the expiration of the current operating licenses for Units 1 and 2, which are 2024 and 2025, respectively. PG&E requests authority to recover in rates the costs to obtain the state and federal approvals related to renewal of the Diablo Canyon operating licenses (referred to as the License Renewal project). PG&E estimates the total cost of the License Renewal project at \$85 million.

PG&E's economic analysis suggests that the potential benefit to customers of operating Diablo Canyon an additional 20 years ranges from \$3.5 billion to \$16.3 billion. PG&E has concluded that it is reasonable and prudent to incur up to \$85 million in costs to apply to the Nuclear Regulatory Commission (NRC) to renew the operating licenses for Diablo Canyon; PG&E filed its renewal application with the NRC in November 2009.

In a companion Application (A.) 10-01-014 PG&E requests approval of funding to perform additional seismic studies in the area at and around the

Diablo Canyon Power Plant recommended by the California Energy Commission (CEC) in the CEC's November 2008 report titled, "An Assessment of California's Nuclear Power Plants: AB 1632 Report." PG&E requests the Commission (1) find that PG&E should proceed with the CEC-recommended additional seismic studies and (2) authorize PG&E to establish a new balancing account to record and recover in rates the actual costs of those seismic studies, estimated at approximately \$16.73 million. There are no protests to A.10-01-014.

A.10-01-022 has been protested by the Division of Ratepayer Advocates, TURN, and the Alliance for Nuclear Responsibility, et al. A prehearing conference (PHC) was held on April 14, 2010.

The most contentious issue raised at the PHC was whether the Commission should suspend consideration of this application until after PG&E completes the seismic studies recommended by the CEC. I am not prepared at this time to suspend consideration of this application pending completion of additional seismic studies, but I will permit evidence on this issue and make a recommendation to the Commission after submission.

The issues to be considered within the scope of this proceeding are:

- Should funding for PG&E's license renewal application be resolved before the seismic studies recommended by the CEC are completed?
- Is it cost effective and in the best interest of PG&E's customers to preserve the option to operate Diablo Canyon for an additional 20 years beyond the current expiration dates of the licenses for Units 1 and 2, which are 2024 and 2025, respectively?
- Is the proposed revenue requirement associated with obtaining the federal and state approvals necessary to preserve the option to operate Diablo Canyon for an additional 20 years just and reasonable and should the Commission authorize PG&E to reflect the adopted revenue requirement in rates?

- Is the cost-effectiveness analysis of PG&E's license renewal feasibility study reasonable?
- Are PG&E's Project Management costs reasonable and prudent?
- The reasonableness of contingencies and depreciation.
- The structure of the License Renewal Environmental Mitigation Balancing Account.

## 2. Schedule

Event	Date
Parties Testimony	August 11, 2010
Rebuttal Testimony	September 10, 2010
Evidentiary Hearings Commission Courtroom State Office Building 505 Van Ness Blvd. San Francisco, California	October 11 - 15, 2010 at 10:00 a.m.
Opening Briefs	November 5, 2010
Reply Briefs	November 19, 2010
Proposed Decision	February 21, 2011
Final Decision	May 2011

## 3. Category and Need for Hearing

This ruling confirms that this is a ratesetting proceeding and that a hearing is required.

## 4. Presiding officer

Administrative Law Judge Robert Barnett is designated as the presiding officer.

**IT IS RULED** that:

1. The issues to be considered are those described in this ruling.
2. The timetable for the proceeding is as set forth herein.
3. This is a ratesetting proceeding.
4. A hearing is needed.
5. Administrative Law Judge Robert Barnett is designated as the presiding officer.

Dated June 23, 2010, at San Francisco, California.

/s/ NANCY E. RYAN  
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Nancy E. Ryan  
Assigned Commissioner

**INFORMATION REGARDING SERVICE**

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a hard copy of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the hard copy of the filed document is current as of today's date.

Dated June 23, 2010, at San Francisco, California.

/s/ LILLIAN LI  
\_\_\_\_\_  
Lillian Li

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074 or TDD# (415) 703-2032 five working days in advance of the event.

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