BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FILED
03-10-10
04:59 PM

Application of Pacific Gas and Electric Company to Recover the Costs Associated with Renewal of the Diablo Canyon Power Plant Operating Licenses. (U39E)	A.10-01-022 (Filed January 29, 2010)

PROTEST
OF THE DIVISION OF RATEPAYER ADVOCATES

RASHID RASHID
Attorney for the Division of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2705
FAX: (415) 703-2262

TRUMAN BURNS
Analyst for the Division of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2932
FAX: (415) 703-2262

March 10, 2010

418635

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)	A.10-01-022 (Filed January 29, 2010)

PROTEST
OF THE DIVISION OF RATEPAYER ADVOCATES

I. INTRODUCTION

Pursuant to Rule 2.6 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the Division of Ratepayer Advocates (DRA) files this Protest to Pacific Gas and Electric Company's (PG&E) Application, (A.) 10-01-022. In its Application, PG&E seeks the Commission's approval to recover $85 million for the costs associated with the renewal of the Diablo Canyon Power Plant operating licenses.

PG&E's above-referenced application was first noticed and appeared on the Daily Calendar on February 8, 2010. Commission Rule 2.6(a) states that "a protest or response to an application must be filed within 30 days of the date the notice of the filing of the application first appears in the Daily Calendar." DRA timely files this Protest within 30 days of February 8, 2010, and is therefore in Compliance with Rule 2.6(a).

In the instant Protest, DRA provides a background for the application and briefly lists the issues that have been identified thus far. DRA is currently conducting discovery and may identify more issues as they arise.

II. BACKGROUND

Diablo Canyon Nuclear Plant has been operating pursuant to two licenses issued by the Nuclear Regulatory Commission (NRC). These licenses are set to expire in 2024 and 2025. In its 2007 General Rate Case (GRC), PG&E requested and received $16.8 million of ratepayer funds to conduct a three-year feasibility study on whether or not to have the NRC renew the licenses for Diablo Canyons Units 1 and 2. (D.07-03-044, pp. 96-100). The Commission has anticipated PG&E's above-referenced application to provide the results of its feasibility study.

PG&E conducted its feasibility study with the $16.8 million that it recovered from ratepayers in 2007 for the study. The feasibility study, which finished within approximately two-years of its GRC decision, resulted in the conclusion that PG&E should renew its licenses with the NRC. PG&E filed its renewal application with the NRC in November 2009 and expects to receive a final decision by 2014. (Application, p.3). PG&E files this instant application on the basis that "it is reasonable and prudent to incur up to $85 million in costs to apply to the NRC to renew the operating licenses for California." (*Id.* at 1).

III. IDENTIFIED ISSUES

As with any proceeding in which a utility seeks to recover costs from ratepayers, PG&E has the burden to demonstrate that it is reasonable and prudent to recover up to $85 million in costs for the license renewal process. (D.06-10-034, 2006 Cal. PUC LEXIS 406, p. *6 (Cal. PUC 2006)) Thus, the main issue of this proceeding is whether PG&E has met its burden.

DRA is conducting discovery at this time. PG&E's application consists of three volumes of testimony that exceed 1100 pages. While DRA has identified some issues listed below, it respectfully requests the right to identify additional issues. The Commission should set for hearing, at the minimum, the following issues:

- <u>Whether the cost-effectiveness analysis of PG&E's license renewal feasibility study is reasonable</u>: DRA believes that PG&E's forecast of capital additions and operating costs deserves further scrutiny. The cost-effectiveness analysis

fails to address the potential costs of a conversion from once-through cooling after the license renewal. This could add a significant capital expenditure to the facility that may impact the cost effectiveness of the future operation of the plant. Additionally, PG&E's analysis of replacement power from new integrated coal gasification combined cycle power plants with carbon sequestration and storage may not be an appropriate assumption.

- Whether PG&E's Project Management costs are reasonable and prudent: The cost estimate of $16.5 million for Project Management Costs seems to be excessive and DRA will need to investigate this estimate;
- The reasonableness of contingencies: PG&E proposes contingency costs that range from 15% to 40%;
- Whether PG&E's depreciation is reasonable: PG&E depreciates the requested $85 million over a period of ten-years. PG&E errs in omitting the twenty-year renewal period, which would increase the depreciation period to thirty years; and
- License Renewal Environmental Mitigation Balancing Account: PG&E proposes an open-ended balancing account to track unknown costs of environmental mitigation. DRA needs to further analyze this issue.

IV. CATEGORIZATION, NEED FOR HEARING AND SCHEDULE

DRA agrees with PG&E that the instant proceeding be categorized as "ratesetting." PG&E is correct in anticipating hearings for this proceeding. The large revenue requirement of $85 million, the complexity of the issues, and the volume of data and information that need to be analyzed, justify the need for hearings.

PG&E is one-year ahead of schedule for filing this application. PG&E had anticipated that the feasibility study would take three years beginning 2007. (D.07-03-044, p. 102). In the 2007 GRC, the Commission determined the time-frame PG&E would need to submit license renewal applications to the NRC and concluded that PG&E should file the instant application with the Commission in 2011. (*Id.*). However, PG&E's proposed schedule adopts a timeline where the Commission issues its decision in early 2011, the anticipated filing date.

DRA does not currently propose a specific schedule, but anticipates that it will need several months to conduct discovery and prepare its analysis for its Report to the

Commission. DRA notes that the staffing resources it commits to this application are also currently committed to PG&E's current GRC. Therefore, it is important that the schedule for this application does not conflict with the schedule of PG&E's current GRC and that DRA be afforded ample opportunity to conduct discovery.

Given the complexity of the issues, the conflict with the GRC, and the fact that PG&E is one-year ahead of schedule, DRA requests that the Commission provide a reasonable timeframe for intervenors to conduct discovery and provide its analysis. The feasibility study took PG&E two-years to prepare, and certainly, the intervenors need more than four months to fully analyze the study and prepare a report on it.

V. CONCLUSION

DRA looks forward to participate in PG&E's above-referenced application. Therefore, DRA respectfully recommends that the Commission consider DRA's requests in the instant Protest.

Respectfully submitted,

/s/ RASHID RASHID

Rashid Rashid
Staff Cousel

Attorney for the Division of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-2705
Fax: (415) 703-2262
E-mail: rhd@cpuc.ca.gov

March 10, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES** to the official service list in **A1001022** by using the following service:

[X] **E-Mail Service:** sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

[ ] **U.S. Mail Service:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on **March 10, 2010** at San Francisco, California.

/s/ NELLY SARMIENTO
Nelly Sarmiento

SERVICE LIST – A1001022

Angelica.Morales@sce.com
matthew@turn.org
jlkm@pge.com
case.admin@sce.com
walker.matthews@sce.com
fsc2@pge.com
LDRi@pge.com
cem@newsdata.com
regrelcpuccases@pge.com
mrw@mrwassoc.com
atrowbridge@daycartermurphy.co
m
eg1@cpuc.ca.gov
rhd@cpuc.ca.gov
rab@cpuc.ca.gov
rmp@cpuc.ca.gov
txb@cpuc.ca.gov
beckers@thegrid.net
ckt@cpuc.ca.gov