

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION
Item 5979, I. D. #5980
RESOLUTION E-4007
October 5, 2006

R E S O L U T I O N

Resolution E-4007. Pacific Gas and Electric Company [PG&E] requests confirmation of William E. Downing to the Committee of its Nuclear Decommissioning Trust Funds [Committee].

Request approved.

By Advice Letter 2849-E Filed on June 22, 2006.

SUMMARY

PG&E's nomination of Downing is approved.

This Resolution confirms the immediate appointment of William E. Downing to the Committee of PG&E's Nuclear Decommissioning Trust Funds until May 2, 2010.

BACKGROUND

The Commission opted for externally managed trust funds to accrue nuclear decommissioning trust funds.

In Order Instituting Investigation 86, the Commission conducted an investigation into methods of financing the cost of decommissioning California's investor owned nuclear power plants. In Decision [D.] 87-05-062 the Commission adopted externally managed trusts as the vehicle for accruing decommissioning funds. In that Decision the Commission also established guidelines for the trust agreements.

The Committee's non-affiliated members must be confirmed by the Commission.

On November 25, 1987, PG&E's two Nuclear Facilities Decommissioning Master Trust Agreements [Trusts] were approved by the Commission in Resolution E-3048. Two trust agreements were required; one for the decommissioning funds which qualify for an income tax deduction under Section 468A of the Internal

Revenue Code [Qualified Trust] and another for the remaining funds [Non-qualified Trust].

The Committee managing the Trusts consists of five members nominated by PG&E's management and confirmed by its board. Only two members of the Committee may be affiliated with PG&E. The three outside members are to be confirmed by the Commission and serve terms of five years. The Committee is responsible for investing the Trusts' assets, directing and managing the Trusts, including the appointment of trustees and investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary in the course of its duties.

Downing to serve the remaining term of Hulse

By this filing PG&E is requesting Commission confirmation of Mr. Downing to serve the remainder of the term for a recently deceased Committee member, John E. Hulse. Mr. Hulse's five-year term, approved through AL 2651-E, started on May 2, 2005 and was to conclude on May 2, 2010. In this filing PG&E requests Commission confirmation for Mr. Downing to serve on the Committee until that date, in accordance with the provisions of the Trusts. The Board of Directors of PG&E on June 21, 2006 confirmed the appointment of Mr. Downing to the Trusts Committee.

NOTICE

PG&E mailed copies of AL 2849-E to parties listed in that advice letter in accordance with General Order 96A. Notice of the advice letter appeared on the Commission's Daily Calendar.

PROTESTS

AL 2849-E was not protested.

DISCUSSION

William E. Downing has indicated his willingness to serve on the Committee if confirmed by the Commission as shown in his Declaration dated June 18, 2006 attached to AL 2849-E.

Downing has outstanding financial management background

The statement of Mr. Downing's qualifications, also attached to the advice letter, states that for the period 1982 - 1998 he held a variety of positions with Pacific Telesis Group where he was Executive Vice President and Chief Financial Officer before his retirement. Prior to Telesis Group, Mr. Downing was with the Bell System, from 1970 - 1982, where he was Assistant Vice President for planning. He also held responsible positions with Texas Instruments in the 1960s.

Mr. Downing earned an MBA from Stanford University in 1970, with concentration in Finance.

Downing has no conflict of interest

The attachment to the Advice Letter notes that Mr. Downing has no current or past relationship with PG&E that could be perceived as creating a conflict with his acting independently in the Trusts' best interest.

Downing is suitable for the nominated position

The Energy Division believes the Mr. Downing could be counted on to demonstrate independence, competence, and integrity while serving on the Committee. As a non-affiliate Committee member, he will represent the ratepayers and the public who are intended to be the ultimate beneficiaries of the Trusts. The Energy Division recommends approval of Mr. Downing to the Committee.

Current compensation arrangements are adequate

The Energy Division notes that the Trust Agreements, in Article 3.06, state

Each Committee member who is not an employee, officer, or otherwise an agent of the Company shall be entitled to reasonable fees and/or compensation for their services hereunder. At the time a nominee's name is furnished to the CPUC, the company shall furnish to the CPUC a statement in writing setting forth all proposed fee and/or compensation arrangements with such nominee. The fee and/or compensation arrangements shall be subject to approval of the CPUC.

PG&E's proposed fee for the nominee in this request is \$8,000 per annum and \$500 per meeting. The arrangement was approved in D.88-04-072 and later found reasonable in D.93-04-060, D.95-05-022, and D.97-12-047. As the

Commission has explicitly determined them reasonable, Energy Division sees no reason to object to them at this time and recommends they continue.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise 30-day period for public review and comment is waived.

FINDINGS

1. PG&E filed AL 2849-E on June 22, 2006 requesting confirmation of William E. Downing to its Committee of nuclear decommissioning trust funds to replace deceased Committee member John E. Hulse for the remainder of his term.
2. In D.87-05-062 the Commission required externally managed trust funds to finance the decommissioning of nuclear power plants.
3. The Trust agreements, approved by Resolution E-3048, provide that a Committee shall direct and manage the Trusts and perform all duties, including the appointment of trustees and investment managers and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest the Trusts' assets.
4. The Trust agreements require that PG&E nominate the outside [non-company] members of the Committee and submit their names to the Commission for confirmation.
5. Mr. Downing is well qualified and willing to serve on the Committee.
6. The fee and compensation arrangements currently applicable to non-company Committee members were established in Decision 88-04-072 and later found reasonable in D.93-04-060, 95-05-022, and 97-12-047 and should continue to apply to the appointment of Mr. Downing.
7. There is no opposition to AL 2849-E.

8. Downing's nomination should be confirmed.

THEREFORE IT IS ORDERED THAT:

1. Pacific Gas and Electric Company's request in Advice Letter 2849-E to confirm the nomination of William E. Downing to serve as a non-company member of its Nuclear Facilities Decommissioning Master Trusts Committee for a term ending on May 2, 2010 is hereby approved.
2. The fee and compensation arrangements, as approved in Decision 88-04-072 and later found reasonable in D.93-04-060, 95-05-022, and 97-12-047, shall continue until revised through the process set forth in the Trust Agreement.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 5, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director