

Application: 23-10-

(U 39 E)

Exhibit No.: _____

Date: October 9, 2023

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Maureen Zawalick

PACIFIC GAS AND ELECTRIC COMPANY

DIABLO CANYON POWER PLANT EMPLOYEE RETENTION PROGRAM

PREPARED TESTIMONY



PACIFIC GAS AND ELECTRIC COMPANY
 DIABLO CANYON POWER PLANT EMPLOYEE RETENTION PROGRAM
 PREPARED TESTIMONY

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PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 1

INTRODUCTION AND POLICY

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 1
INTRODUCTION AND POLICY

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1 **PACIFIC GAS AND ELECTRIC COMPANY**
2 **CHAPTER 1**
3 **INTRODUCTION AND POLICY**

4 **A. Introduction**

5 On September 2, 2022, Senate Bill (SB) 846 was signed into law, providing
6 a path to extend Diablo Canyon Power Plant (DCPP) operations beyond the
7 existing operation licenses in 2024 and 2025, for Unit 1 and Unit 2 respectively.
8 The legislation directs approximately five additional years of operation for each
9 unit, subject to obtaining Nuclear Regulatory Commission and all required state
10 agency approvals. SB 846 recognized the necessity of extending the previous
11 DCPP retention program in order to retain the personnel needed to safely and
12 reliably operate the plant in the context of the uncertainty created by plans to
13 retire the plant in 2024 and 2025. SB 846 directs the California Public Utilities
14 Commission (CPUC or Commission) to continue funding the retention program
15 as follows:

16 The commission shall continue to fund the employee retention program
17 approved in Decision 18-11-024 (December 2, 2018) Decision Implementing
18 Senate Bill 1090 and Modifying Decision 18-01-022, as modified to
19 incorporate 2024, 2025, and additional years of extended operations, on an
20 ongoing basis until the end of operations of both units with program costs
21 tracked until subdivision (e) and fully recovered in rates. Any additional
22 funding for the employee retention program beyond what was already
23 approved in commission Decision 18-11-024 shall be submitted by the
24 operator in an application for review by the commission.

25 Continuing the same annual incentive payment (25 percent of base pay) and
26 eligibility criteria of the previous CPUC-approved program, the cost to modify the
27 retention program to incorporate 2024, 2025 and additional years of extended
28 operations (assuming retirements of 2029 and 2030 for Units 1 and 2,
29 respectively) is \$407.1 million. This testimony supports Pacific Gas and Electric
30 Company's (PG&E) request for approval to modify the previous DCPP retention
31 program consistent with legislative direction in SB 846 and California Public
32 Utilities Code (Pub. Util. Code) Section 712.8(f)(2) (or hereinafter, Application),
33 as fair and reasonable to all Californians and not only to PG&E customers. This
34 application presented to the CPUC has been developed by PG&E subject matter
35 experts in the areas of DCPP operations management, human resources, and

1 regulatory accounting as well as a third-party consultant in order to satisfy the
2 statutory requirements of Section 712.8(f)(2), directing the Commission to fund
3 the previous program approved in Decision (D.) 18-11-024. The previous
4 retention program has successfully met the goal of retaining highly-qualified
5 professionals that are required to maintain safe and reliable DCPD operations
6 and has mitigated the risk of unexpected power outages or interruptions in
7 power supply. This testimony discusses PG&E's proposed modifications to the
8 previous retention program, which are appropriate to respond to changed
9 circumstances and demographics, followed by an overview of the remaining
10 chapters in this Prepared Testimony.

11 **1. The Previous Retention Program Met the Goal of Retaining DCPD Team**
12 **Members Required to Maintain Safe and Reliable Operations**

13 As noted above, Pub. Util. Code section 712.8(f)(2) directs the
14 Commission to fund the previous retention program approved by the
15 Commission in D.18-11-024 modified to incorporate 2024, 2025 and
16 additional years of extended operations. In D.18-11-024, the Commission
17 approved a total cost of \$352.1 million to support annual payments to
18 eligible DCPD employees at 25 percent of annual base pay.

19 The previous retention program is structured in two tiers: Tier 1, a
20 four-year period, September 2016-August 2020, and Tier 2 a 3-year period
21 September 2020-August 2023.

22 PG&E recovered the cost of the program in rates through annual
23 average revenue requirements of \$50.3 million over the 7-year period
24 2018-2024.

25 The previous program successfully retained a qualified and sufficient
26 workforce to safely and reliably operate DCPD and to mitigate the loss of
27 critical knowledge and expertise through attrition. More than 90 percent of
28 eligible DCPD team members fulfilled the Tier 1 retention agreement and
29 nearly 97 percent of DCPD team members are participating in the Tier 2
30 retention agreement.

1 **2. PG&E’s Proposed Modifications to the DCPP Retention Program**
2 **Appropriately Respond to Changed Circumstances and Demographics**

3 With the decision to allow for potential extended operations through
4 2029 and 2030 for Units 1 and 2, respectively, it is necessary to modify the
5 retention program to retain the DCPP workforce and their knowledge and
6 skills, which are needed to ensure continued safe and reliable operations.
7 PG&E and all of California have benefited from a well-trained, highly-skilled,
8 federal licensed, dedicated workforce that have contributed to DCPP’s track
9 record of generating carbon-free energy during its 38 years of exemplary
10 operations. It is critical to retain the highly qualified DCPP team to continue
11 this success.¹ The International Brotherhood of Electrical Workers (IBEW)
12 Local 1245 and the Engineers and Scientists of California (ESC) Local 20
13 supported the previous retention program and have reached agreement with
14 PG&E on the modifications of the program.

15 The DCPP retention program proposed in this Application aims to build
16 on the success of the previous program, while making adjustments
17 necessary to address not only extended operations but also the changing
18 demographics of the DCPP workforce. Specifically, while PG&E proposes
19 the same annual payment to eligible DCPP employees of 25 percent annual
20 base pay over a similar time period, PG&E proposes a four-tiered structure,
21 allowing for shorter commitments. This is to ensure that DCPP continues to
22 maintain a qualified and proficient workforce to safely operate and maintain
23 the plant, and incent retirement-eligible employees to remain at the station
24 to allow for an orderly transition and transfer of knowledge to existing and
25 new employees. It is important to note that, of 1217 DCPP employees,
26 282 will be eligible to retire in 2023, equating to 23 percent of the DCPP
27 workforce (100 IBEW Local 1245, 79 ESC Local 20, 12 Service Employees
28 International Union (SEIU) and 91 management). In 2024, 25 percent will

1 On February 28, 2023, the California Energy Commission (CEC) approved a staff analysis recommending the state pursue extending operation of DCPP through 2030 to ensure electricity reliability. CEC Report, *Diablo Canyon Power Plant Extension* (March 2023), in docket 21-ESR-01. See also, California Natural Resources Agency Report, *Detailed Description and Plan of Actions Needed to Extend Operations of Diablo Canyon Power Plant, Prepared pursuant to Senate Bill 846 (Dodd, Chapter 239, 2022)* (February 2023).

1 be eligible to retire, followed by 29 percent in 2026, and 34 percent in 2028.
2 It is imperative that PG&E retain these retirement-eligible employees to
3 maintain technical expertise and ensure knowledge transfer to existing and
4 new employees.

5 **3. The DCPD Retention Program Is Fair and Benefits Customers**

6 DCPD employees possess highly specialized technical skills, localized
7 knowledge, federal licensing, and security clearances that cannot easily be
8 replaced. In the absence of the retention program, existing DCPD
9 employees will be more likely to retire early or terminate employment to
10 seek other long-term employment. The retention program presented in this
11 Application provides a fair and equitable incentive to ensure continuity of
12 operational excellence that has characterized DCPD operations. It treats
13 DCPD employees fairly and benefits customers by mitigating risk of
14 inefficient operation and increased costs that could result from loss of
15 experienced and knowledgeable employees.

16 **B. Testimony Overview**

17 Chapter 1 summarizes PG&E's DCPD Retention Program request, which is
18 based on: (1) Commission approval of the program in D.18-01-022, as modified
19 in D.18-11-024 and (2) furtherance of the program during the period of extended
20 operations pursuant to Pub. Util. Code section 712.8(f)(2). In addition,
21 Chapter 1 provides an overview of PG&E's extension to the DCPD Retention
22 Program building on the success of the previous program.

23 Chapter 2 presents the details of PG&E's proposal to retain qualified
24 personnel at DCPD through the extended plant operations through the year
25 2030 in order to ensure the company maintains adequate staffing levels of
26 qualified employees. These details include: (1) the rationale and need for the
27 DCPD Retention Program; and (2) the DCPD Retention Program cost forecast.

28 Chapter 3 presents PG&E's cost recovery proposal for the DCPD Retention
29 Program. PG&E requests approval to record approximately \$407.1 million of
30 expense over a seven-year period to the new Diablo Canyon Extended

1 Operations Balancing Account, as adopted by the Commission in D.22-12-005.²
2 A forecast of these costs will be presented annually to the Commission through
3 a new application yet to be determined in Rulemaking 23-01-007. SB 846
4 envisions this new application's structure will resemble the previous revenue
5 requirement request and rate proposal application established by the
6 Commission under Assembly Bill 57 mandates, known as the Energy Resource
7 Recovery Account forecast application.

8 Appendix A includes the statements of qualification for PG&E witnesses
9 sponsoring PG&E's Prepared Testimony.

10 **C. Conclusion**

11 The purpose of this testimony is to: (1) provide the basis for continuing the
12 retention of qualified employees under PG&E's DCPD Retention Program, as
13 directed in Pub. Util. Code section 712.8(f)(2); and (2) present PG&E's total
14 revenue requirement forecast of \$407.1 million for the period of extended
15 operations. PG&E's Application requests modifications to the previous program
16 commitment periods, which is intended to build upon the success of the program
17 adopted by the Commission in D.18-11-024. This testimony includes an
18 important consideration regarding the future success of the DCPD Retention
19 Program: of 1217 DCPD employees, 282 will be eligible to retire in 2023,
20 equating to 23 percent of the DCPD workforce (100 IBEW represented
21 employees, 79 ESC represented employees, 12 SEIU represented employees,
22 and 91 management). In 2024, 25 percent will be eligible to retire, followed by
23 29 percent in 2026, and 34 percent in 2028. It is imperative that PG&E retain
24 these retirement-eligible employees to maintain technical expertise and ensure
25 knowledge transfer before large portions of the DCPD team retire. For this
26 reason, PG&E requests that the Commission approve this expedited Application
27 by no later than September 2024.

² See PG&E Advice 6870-E, submitted on March 1, 2023, which will be disposed of via Commission resolution. A copy of proposed electric Preliminary Statement Part JR is provided as Attachment A to Chapter 3.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 2

DIABLO CANYON EMPLOYEE RETENTION PROGRAM

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 2
DIABLO CANYON EMPLOYEE RETENTION PROGRAM

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1 **PACIFIC GAS AND ELECTRIC COMPANY**
2 **CHAPTER 2**
3 **DIABLO CANYON EMPLOYEE RETENTION PROGRAM**

4 **A. Introduction**

5 The purpose of this chapter is to present the details of the Pacific Gas and
6 Electric Company’s (PG&E or the Company) proposal to retain qualified
7 personnel at Diablo Canyon Power Plant (DCPP or Diablo Canyon) Units 1 and
8 2 for the extended plant operations through the year 2030.

9 The retention program is to ensure DCPP maintains staffing levels of
10 qualified employees to continue the safe and efficient operation of the plant.
11 The retention program described in this chapter provides a fair and equitable
12 incentive to ensure the continuity of operational excellence that has
13 characterized Diablo Canyon’s 38 years of exemplary performance. The
14 retention program treats DCPP employees fairly during the period of extended
15 operations, and customers benefit under this program by mitigating the risk of
16 inefficient operation and potential disruption in baseload power supply.

17 The remainder of this chapter is organized as follows:

- 18 • Section B describes in further detail the rationale and need for the Employee
19 Retention Program;
- 20 • Section C provides the Employee Retention Program Overview;
- 21 • Section D describes the Efficacy of the Original Employee Retention
22 Program; and
- 23 • Section E includes the Conclusion.

24 **B. Need for the Employee Retention Program**

25 On September 2, 2022, Senate Bill (SB) 846 was signed into law, providing
26 a path to extend DCPP operations beyond the current 2024/2025 licenses to
27 2030, conditioned upon the future approvals of applicable state agencies.
28 Included in SB 846 was the order to fund an employee retention program in
29 rates that will secure adequate staffing until the end of operations. SB 846
30 states:

1 (2) The commission shall continue to fund the employee retention program
2 approved in Decision 18-11-024 (December 2, 2018) Decision Implementing
3 Senate Bill 1090 and Modifying Decision 18-01-022, as modified to
4 incorporate 2024, 2025, and additional years of extended operations, on an
5 ongoing basis until the end of operations of both units with program costs
6 tracked under subdivision (e) and fully recovered in rates. Any additional
7 funding for the employee retention program beyond what was already
8 approved in commission Decision 18-11-024 shall be submitted by the
9 operator in an application for review by the commission.

10 Under SB 846, PG&E is required to develop and submit an application to the
11 California Public Utilities Commission (CPUC) for approval of the retention
12 program and request any additional funding needed for the program. In line with
13 SB 846, the retention program proposal includes the current annual 25 percent
14 of base pay retention rate that was previously approved in the 2018 CPUC
15 modifying decision following the passage of SB 1090, with costs recovered in
16 rates.

17 **C. Retention Program Overview**

18 PG&E proposes to employ an Employee Retention Program with four
19 commitment periods to ensure the continued safe and efficient operation of
20 Diablo Canyon.

21 The Employee Retention Program is an incentive package that
22 demonstrates PG&E's commitment to attract and retain employees to operate
23 the plant through the extended plant operations (through the year 2030). Both
24 represented and non-represented employees would receive the same
25 opportunity to participate in the Employee Retention Program.

26 The first, 16-month period (Commitment Period) 1 is for the timeframe of
27 September 1, 2023, through December 31, 2024 and will provide a retention
28 payment to each eligible¹ employee, paid between March 1, 2025 and no later

1 "Eligible employees" include active full-time status PG&E employees who work at DCPD or who support DCPD operations. New hires and PG&E employees bidding or transferring into DCPD will also be eligible on a pro-rated basis. Contractors, Hiring Hall, and PG&E employees working at DCPD on a temporary or rotational assignment are not eligible.

1 than May 31, 2025 at a value of 25 percent of the employee's base salary.^{2,3}
2 Employees receiving the retention payment would be required to sign an
3 agreement with PG&E committing to work at Diablo Canyon through
4 December 31, 2024 in order to receive the Commitment Period 1 payment. If an
5 employee who signed a retention agreement later decided to terminate their
6 employment at Diablo Canyon prior to the end of Commitment Period 1, whether
7 it is because the employee leaves the Company or accepts another position
8 outside of DCP, the employee would not receive a retention payment for the
9 period. The employee would also lose their eligibility for any additional retention
10 payments after the employee exits from DCP.

11 The second, 12-month period (Commitment Period 2) is for the period of
12 January 1, 2025, through December 31, 2025, and will provide a retention
13 payment to each eligible employee at a value of 25 percent of the employees
14 base salary, paid between March 1, 2026, and no later than May 31, 2026.
15 Employees receiving the retention payments would be required to sign an
16 agreement with PG&E committing to work at Diablo Canyon through
17 December 31, 2025, in order to receive the retention payment. In addition, if an
18 employee who signed a retention agreement later decided to terminate their
19 employment at Diablo Canyon, whether by leaving the Company or accepting
20 another position at PG&E outside of DCP prior to the end of Commitment
21 Period 2, the employee would not receive a retention payment for the period.
22 The employee would also lose their eligibility for any additional retention
23 payments after the employee exits from DCP.

24 The third, 36-month period (Commitment Period 3) is for the period of
25 January 1, 2026, through December 31, 2028, and will provide an annual
26 retention payment to each eligible employee at a value of 25 percent of the
27 employee's base salary. The retention payments will be paid between March 1
28 and no later than May 31 of each year following each 12-month period.
29 Employees receiving the retention payments would be required to sign an

2 Premium payments for Licensed Reactor Operator, Senior Licensed Reactor Operator, and Firefighter Advanced Skill job classifications are pension eligible and are considered base pay for purposes of the retention payments.

3 In addition to 25 percent of base pay, as required by federal law, the total retention program forecast cost of \$407.1 million includes an overtime true-up for bonus income.

1 agreement with PG&E committing to work at Diablo Canyon through December
2 31, 2028, in order to receive the retention payments. If an employee who signed
3 a retention agreement later decided to terminate their employment at Diablo
4 Canyon prior to the end of Commitment Period 3, whether by leaving the
5 Company or accepting another position at PG&E outside of DCP, the
6 agreement would require that employee to refund PG&E all retention funds
7 already paid by PG&E to the employee during Commitment Period 3. The
8 employee would also lose their eligibility for any additional retention payments
9 after the employee exits from DCP. If an eligible employee completed
10 Commitment Period 2 but terminated his or her employment during Commitment
11 Period 3, the employee would only be required to refund the retention payments
12 made during Commitment Period 3 as he or she would have met Commitment
13 Period 2 requirement.

14 The fourth 22-month period (Commitment Period 4) is for the period of
15 January 1, 2029, through November 1, 2030, and will provide an annual
16 retention payment to each eligible employee at a value of 25 percent of the
17 employee's base salary, paid between March 1 and no later than May 31 of
18 each year following the 12-month period. Employees receiving the retention
19 payments would be required to sign an agreement with PG&E committing to
20 work at Diablo Canyon through November 1, 2030, in order to receive the
21 retention payments. If an employee who signed a retention agreement later
22 decided to terminate his or her employment at Diablo Canyon prior to the end of
23 Commitment Period 4, whether by leaving the Company or accepting another
24 position at PG&E outside of DCP, the agreement would require that employee
25 to refund PG&E all retention funds already paid by PG&E to the employee
26 during Commitment Period 4. If an eligible employee completed Commitment
27 Period 3 but terminated his or her employment during Commitment Period 4
28 Period, the employee would only be required to refund the retention payments
29 made during Commitment Period 4 as he or she would have met Commitment
30 Period 3 requirements. Table 2-1 shows the retention payment periods.

**TABLE 2-1
RETENTION PERIOD AND PAY OUT SCHEDULE**

Line No.	Commitment Period 1	
2	Retention Period	Payment Made
3	9/1/2023 – 12/31/2024	3/1/2025 – 5/31/2025
4	Commitment Period 2	
5	Retention Period	Payment Made
6	1/1/2025 – 12/31/2025	3/1/2026 – 5/31/2026
7	Commitment Period 3	
8	Retention Period	Payment Made
9	1/1/2026 – 12/31/2026	3/1/2027 – 5/31/2027
10	1/1/2027 – 12/31/2027	3/1/2028 – 5/31/2028
11	1/1/2028 – 12/31/2028	3/1/2029 – 5/31/2029
12	Commitment Period 4	
13	Retention Period	Payment Made
14	1/1/2029 – 12/31/2029	3/1/2030 – 5/31/2030
15	1/1/2030 – 11/1/2030	3/1/2031 – 5/31/2031

1 **1. Retention Program Cost Forecast**

2 As shown in Table 2-4, PG&E estimates the Employee Retention Plan
3 will cost \$407.1 million.⁴ Of this total, PG&E estimates that Commitment
4 Period 1 will cost \$72.8 million, Commitment Period 2 will cost \$56.2 million,
5 Commitment Period 3 will cost \$173.1 million, and Commitment Period 4 will
6 cost \$105.1 million. This estimate assumes varying staffing levels over the
7 retention period. Table 2-2 shows the estimated staffing levels through the
8 retention period by year.

**TABLE 2-2
ANNUAL ESTIMATED STAFFING LEVELS**

Line No.	2023	2024	2025	2026	2027	2028	2029	2030
1	1,329	1,350	1,300	1,300	1,250	1,250	1,200	1,100

⁴ Attachment 1 to this testimony provides a calculation of an estimated cost of the extended DCPD Employee Retention Plan.

1 These staffing levels at Diablo Canyon are necessary for the continued
 2 effective operation of the plant through 2030. The assumed labor escalation
 3 rate for both represented and non-represented employees is 3.75 percent
 4 through 2030. The Employee Retention Program is aimed to keep the
 5 necessary staffing levels retained until November 1, 2030.

6 **D. Efficacy of the Original Program**

7 The original retention program has proved to be successful at retaining a
 8 qualified and proficient workforce to safely operate DCPD and at mitigating the
 9 loss of critical knowledge and expertise through attrition. The first commitment
 10 period tier of the original program covered September 2016 to August 2020.
 11 More than 90 percent of eligible employees fulfilled the Tier 1 retention
 12 agreement. The second commitment period tier of the original program—
 13 currently underway—covers September 2020 to August 2023 and nearly
 14 97 percent of eligible employees participated in the Tier 2 program.

15 **1. Funding Considerations**

16 The original employee retention program, as approved by the CPUC,
 17 provides for up to \$352.1 million to be collected over seven years
 18 (2018-2024) in rates from PG&E customers. The figures below reflect the
 19 costs of the program since 2016, as well as the estimated \$54 million that
 20 will be paid in the current program’s final year in 2023.

**TABLE 2-3
 ANNUAL FUNDING FOR THE PREVIOUS RETENTION PROGRAM AUTHORIZED IN D.18-11-02
 (MILLIONS OF DOLLARS)**

Line No.	2017	2018	2019	2020	2021	2022	2023	Total
1	\$0 ^(a)	\$104.6	\$48.7	\$51.7	\$42.8	\$45.6	\$54	\$347.4

(a) The CPUC approved the program in 2018, therefore no payment was issued in 2017. 2018 reflects the 2017 and 2018 payment amounts.

21 The estimated funds needed for an extended retention program based
 22 on the 25 percent base pay are provided below (total may not add due to
 23 rounding):

**TABLE 2-4
ANNUAL FUNDING FOR EXTENDED OPERATIONS REQUEST
(MILLIONS OF DOLLARS)**

Line No.	2023	2024	2025	2026	2027	2028	2029	2030	Total
1	\$17.5 ^(a)	\$55.3	\$56.2	\$56.8	\$56.7	\$59.6	\$58.6	\$46.5 ^(b)	\$407.1

- (a) The funding request for 2023 covers the costs of the four months not included under the previous retention program, September 1 – December 31, 2023.
- (b) The funding request for 2030 reflects the extended operations closure date of October 31, 2030, which would only require ten months of retention payments, January 1 – November 1, 2030.

1 SB 846 directs that the costs of the extended retention program be
2 recovered in rates from all customers of CPUC-jurisdictional load serving
3 entities.

4 **E. Conclusion**

5 PG&E requests the CPUC to approve the extended DCPP employee
6 retention program and associated cost estimate of \$407.1 million.

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 2
ATTACHMENT A
EXTENDED OPERATIONS RETENTION PLAN ESTIMATE

Diablo Canyon Power Plant - Retention Cost Forecast ^[1]

Number of Outages Estimated per Year

1 Outage

1 Outage

2 Outages

1 Outage

1 Outage

2 Outages

1 Outage

1 Outage

Career Track	Employee Count	2023 Base Salary after Merit Increase	Commitment Period 1: 16 Months				Commitment Period 2: 12 Months			Commitment Period 3: 36 Months					Commitment Period 4: 22 Months									
			2023 Employee Count	4 Months: 09/01/2023 to 12/31/2023	2024 Employee Count	2024 Base Salary	12 Months: 01/01/2024 to 12/31/2024	2025 Employee Count	2025 Average Base Salary	12 Months: 01/01/2025 to 12/31/2025	2026 Employee Count	2026 Average Base Salary	12 Months: 01/01/2026 to 12/31/2026	2027/2028 Employee Count	2027 Average Base Salary	12 Months: 01/01/2027 to 12/31/2027	2028 Average Base Salary	12 Months: 01/01/2028 to 12/31/2028	2029 Employee Count	2029 Average Base Salary	12 Months: 01/01/2029 to 12/31/2029	2030 Employee Count	2030 Average Base Salary	10 Months: 01/01/2030 to 10/31/2030
LEADERSHIP-NON OFFICER	262	193,355	262	50,659,047	266	200,606	53,361,186	256	208,129	53,280,943	256	215,934	55,278,979	246	224,031	55,111,630	232,432	57,178,316	236	241,148	56,911,019	215	250,191	53,791,162
PROFESSIONAL	137	159,870	137	21,902,166	139	165,865	23,055,227	134	172,085	23,059,374	134	178,538	23,924,100	129	185,233	23,895,088	192,179	24,791,153	124	199,386	24,723,891	113	206,863	23,375,541
ESC	290	163,197	290	47,327,130	295	169,317	49,948,482	284	175,666	49,889,221	284	182,254	51,760,067	273	189,088	51,621,098	196,179	53,556,889	262	203,536	53,326,379	239	211,168	50,469,245
IBEW	436	131,293	436	57,243,748	443	136,216	60,343,904	427	141,325	60,345,607	427	146,624	62,608,567	411	152,123	62,522,425	157,827	64,867,016	395	163,746	64,679,596	363	169,886	61,668,720
SEIU	201	110,676	201	22,245,876	204	114,826	23,424,575	196	119,132	23,349,938	196	123,600	24,225,561	188	128,235	24,108,141	133,044	25,012,196	180	138,033	24,845,892	167	143,209	23,915,896
SUPPORT	3	96,512	3	289,536	3	100,131	300,394	3	103,886	311,658	3	107,782	323,346	3	111,824	335,471	116,017	348,051	3	120,368	361,103	3	124,881	374,644
Total	1329		1,329	199,667,503	1,350		210,433,767	1,300		210,236,741	1,300		218,120,619	1,250		217,593,853		225,753,623	1,200		224,847,880	1,100		213,595,209
Retention %	25%			49,916,876			52,608,442			52,559,185			54,530,155			54,398,463		56,438,406			56,211,970			53,398,802
Over-Time (OT) True-up [2]				1,815,785			1,914,584			2,869,036			1,455,239			1,451,642		2,259,119			1,499,945			1,428,566
Premium True Up [3]				726,250			753,484			781,740			811,055			841,470		873,025			905,763			939,730
Subtotal				52,458,911			55,276,510			56,209,962			56,796,449			56,691,576		59,570,549			58,617,678			55,767,097
Months of retention for period				4			12			12			12			12		12			12			10
Total Retention Forecast				17,486,304			55,276,510			56,209,962			56,796,449			56,691,576		59,570,549			58,617,678			46,472,581

Total per Commitment Period		Commitment Period 1:	72,762,814	Commitment Period 2:	56,209,962	Commitment Period 3:	173,058,574	Commitment Period 4:	105,090,259
Grand Total DCPP Retention Forecast:	407,121,608								

[1] Labor Escalation (2023 to 2030)
 Represented: 3.75%
 Non-Represented: 3.75%

[2] OT True-up Assumptions: (1) 4.2% of Bargaining Unit salary, (2) adjusted for the number of outages per year, and (3) adjusted for anticipated longer outages than average in certain years. Historically outages typically last 33 days.

[3] Premium True up: Premium payments for Licensed Reactor Operator, Senior Licensed Reactor Operator, and Firefighter Advanced Skill job classifications are pension eligible and are included in the retention calculation. The forecast assumes 113 employees (number of employees that received the premium in 2022) will continue to be eligible for these premium payments and are included in the forecast.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 3

COST RECOVERY PROPOSAL

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 3
COST RECOVERY PROPOSAL

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1 **PACIFIC GAS AND ELECTRIC COMPANY**
2 **CHAPTER 3**
3 **COST RECOVERY PROPOSAL**

4 **A. Introduction**

5 In accordance with Decision (D.) 22-12-005, the purpose of this chapter is to
6 present Pacific Gas and Electric Company's (PG&E) cost recovery proposal for
7 the Diablo Canyon Power Plant (DCPP) Employee Retention Program described
8 in Chapters 1 and 2. Specifically, PG&E requests the California Public Utilities
9 Commission (CPUC or Commission) approve the following:

- 10 • Recording of the actual expenses of the Employee Retention Program up to
11 the adopted amount within a new balancing account, the Diablo Canyon
12 Extended Operations Balancing Account (DCEOBA). The recovery would
13 occur primarily over a 7-year period from 2025 through 2031 through an
14 annual expense-only revenue requirement;¹ and
15 • Finding that the \$407.1 million in total forecast expenses as described in
16 Chapter 2 for the Employee Retention Program is reasonable.

17 **B. Background**

18 On January 16, 2018, the CPUC issued D.18-01-022, which among other
19 things approved PG&E's request to establish the Diablo Canyon Retirement
20 Balancing Account (DCRBA) to track various costs related to the retirement of
21 Diablo Canyon, including the Employee Retention Subaccount to track
22 employee retention expenses. On May 23, 2018, the CPUC approved PG&E's
23 Advice Letter (AL) 5268-E to establish Electric Preliminary Statement Part HK
24 the DCRBA.² In testimony supporting PG&E's 2023 General Rate Case (GRC)

1 PG&E would true-up any final balance in the DCEOBA upon the conclusion of the extended operation period in 2031 rates through the Annual Electric True-Up Advice Letter process, or as otherwise directed by the Commission. The Commission's new proceeding on Diablo Canyon Extended Operations, CPUC docket Rulemaking (R.) 23-01-007, includes consideration of new cost recovery mechanisms. PG&E's annual DCPP continued operations ratemaking application, similar to the investor-owned utilities' (IOU) Energy Resource Recovery Account (ERRA) forecast revenue requirement application, will be developed in that proceeding.

2 AL 5268-E was approved effective January 1, 2018.

1 Application, PG&E proposed to close the DCRBA once the balance had been
2 recovered at the end of the current license expiration dates.³

3 On September 2, 2022, Governor Newsom signed Senate Bill (SB) 846,
4 supporting extended operations at Diablo Canyon through October 31, 2029,
5 and October 31, 2030, for Units 1 and 2, respectively. On December 6, 2022,
6 the CPUC issued D.22-12-005, *Decision Implementing Senate Bill 846*.

7 D.22-12-005 requires PG&E to submit a Tier 3 AL within 90 days that provides:

8 [A] detailed and complete accounting structure of the associated costs and
9 recovery of the DCP Transition and Relicensing Memorandum Account
10 and the DCP Extended Operations Balancing Account.⁴

11 On March 1, 2023, PG&E submitted AL 6870-E to establish the Diablo
12 Canyon Transition and Relicensing Memorandum Account and the DCEOBA.
13 AL 6870-E is pending disposition via Commission resolution.

14 **C. DCEOBA Cost Recovery Mechanism**

15 PG&E proposes to record the actual incurred expenses of the Employee
16 Retention Program up to the Commission adopted amount⁵ through a separate
17 accounting entry in the Diablo Canyon Extended Operations Subaccount of the
18 DCEOBA. Similar to the existing process in PG&E's annual ERRRA forecast
19 applications, PG&E plans to present a total annual forecast revenue requirement
20 for all costs of DCP continued operations, including Employee Retention
21 Program expenses, in a new annual Diablo Canyon extended operations
22 forecast application. Recovery of the balance in the DCEOBA would be upon
23 approval of this new annual DCP application, which is subject to Phase 2 of
24 R.23-01-007. As described in more detail in AL 6870-E, and pursuant to
25 SB 846, PG&E proposes to recover the balance in the DCEOBA through a
26 non-bypassable charge from customers of all load-serving entities subject to the

3 See PG&E's 2023 GRC Application, A.21-06-021, Exhibit (PG&E-12), Chapter 7, Table 7-4.

4 D.22-12-005, Ordering Paragraph 4.

5 As discussed in Chapter 2, PG&E forecasts the Employee Retention Plan will cost \$407.1 million.

1 Commission's jurisdiction. A copy of proposed electric Preliminary Statement
2 Part JR is provided as Attachment A to this chapter.⁶

3 **D. Conclusion**

4 The purpose of this testimony is to request approval to record the actual
5 expenses related to the Employee Retention Plan up to the Commission
6 adopted amount in the Extended Operations Subaccount of the DCEOBA. The
7 recovery of the balance in the DCEOBA is subject to future Commission action
8 on cost recovery mechanisms in R.23-01-007.

⁶ See Accounting Procedure 5.i. on the proposed Preliminary Statement JR included as Attachment A to this chapter. Modifications to the proposed Preliminary Statement may be required depending on what the Commission ultimately approves.

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 3
ATTACHMENT A
ELECTRIC PRELIMINARY STATEMENT PART JR,
DIABLO CANYON EXTENDED OPERATIONS
BALANCING ACCOUNT (PROPOSED)



ELECTRIC PRELIMINARY STATEMENT PART JR
DIABLO CANYON EXTENDED OPERATIONS BALANCING ACCOUNT
(DCEOBA)

Sheet 1

(N)
(N)
(N)

JR. DIABLO CANYON EXTENDED OPERATIONS BALANCING ACCOUNT (DCEOBA)

(N)

1. PURPOSE: The purpose of the Diablo Canyon Extended Operations Balancing Account (DCEOBA) is to record and recover expenses related to the operation of Diablo Canyon Power Plant (DCPP) Units 1 and 2 beyond the current license expiration dates of November 2, 2024, and August 26, 2025, respectively, that are not eligible for government funding pursuant to Senate Bill 846, Assembly Bill 180, or the United States Department of Energy's Civil Nuclear Credit Program. Costs that are eligible for government funding are tracked and recorded in the Diablo Canyon Transition and Relicensing Memorandum Account (DCTRMA). Expenses recorded to the DCEOBA include costs related to the following activities: extended operations, incremental decommissioning planning, liquidated damages, replacement power (if incurred), and performance and management fees. Pursuant to Senate Bill 846, expenses related to extended operations, incremental decommissioning planning, liquidated damages, replacement power and certain performance and management fees will be funded by customers of all load-serving entities (LSE) subject to the Commission's jurisdiction.

(N)

The DCEOBA consists of three types of subaccounts:

The Extended Operations Subaccount (six subaccounts) will be funded by a nonbypassable charge from customers of all LSEs subject to the Commission's jurisdiction. Note that each of the electric investor-owned utility (IOU) service territories will have its own subaccount. Amounts are assigned to the IOU specific subaccount based on allocated load share, or as otherwise authorized by the Commission. Amounts recorded to the Extended Operations Subaccount will include the authorized funding for liquidated damages and actual expenses related to the following: replacement power costs (if incurred), extended operations costs, including the operations of the Diablo Canyon Independent Safety Committee (DCISC), any incremental decommissioning planning costs, and certain performance and management costs. Extended operations costs will include operations and maintenance costs, plant equipment and improvement costs, incremental future spent fuel storage capacity, fuel purchasing, pension, taxes, benefits and standard PG&E overheads, employee retention costs, and regulatory compliance items. Performance and management costs will include a fixed fee of \$50 million, in 2022 dollars, per unit per year and a volumetric fee of \$6.50, in 2022 dollars, per megawatt-hour generated by the Diablo Canyon Power Plant during the period of extended operations. These amounts will be adjusted annually by the Commission using Commission-approved escalation methodologies and adjustment factors. During the period of extended operations, revenues from the sale of electricity into the CAISO market will be used to offset costs recorded in the Extended Operations Subaccount. Any excess revenues remaining after offsetting costs (in the Extended Operations Subaccount) will be credited to the Volumetric Performance Fee Subaccount.

The Liquidated Damages Subaccount (one subaccount) will be funded by a nonbypassable charge from customers of all LSEs subject to the Commission's jurisdiction. The authorized funding is \$12.5 million per month per unit until the Subaccount reaches a balance of \$300 million, in total. The balance in the Subaccount will be used to purchase replacement power, if incurred, when a unit is out of service due to an extended and unplanned outage and the reasonable manager standard has not been met as determined by the Commission. If replacement power is purchased from this Subaccount, the Liquidated Damages Subaccount will be replenished by authorized funding of \$12.5 million per month per until the Subaccount reaches a balance of \$300 million. Any funds remaining in the Liquidated Damages Subaccount at the conclusion of extended operations will be refunded to customers in PG&E's service territory as determined by the Commission.

(N)

(Continued)

Advice 6870-E
Decision 22-12-005

Issued by
Meredith Allen
Vice President, Regulatory Affairs

Submitted
Effective
Resolution

March 1, 2023



ELECTRIC PRELIMINARY STATEMENT PART JR
DIABLO CANYON EXTENDED OPERATIONS BALANCING ACCOUNT
(DCEOBA)

Sheet 2

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(N)

1. PURPOSE: (Cont'd)

(N)

The Volumetric Performance Fee Subaccount (one subaccount) will be funded by Commission-jurisdictional customers within PG&E's territory. The Volumetric Performance Fee Subaccount will consist of a volumetric fee of \$6.50, in 2022 dollars, for each MWh generated by the Diablo Canyon Power Plant during the period of extended operations. This amount will be adjusted annually by the Commission using Commission-approved escalation methodologies and adjustment factors. To the extent that there are excess CAISO market revenues remaining after recovering all costs in the Extended Operations Subaccount, the remaining CAISO market revenues will be recorded in the Volumetric Performance Fee Subaccount. Disposition of the balance in the account will be through the Annual Electric True-Up advice letter process as authorized by the Commission. Following the final year of extended operations, any overcollected balance in the Volumetric Performance Fee Subaccount will be used to repay any outstanding balance of the loan agreement between PG&E and the California Department of Water Resources (DWR).

2. APPLICABILITY: The DCEOBA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. REVISION DATE: Disposition of the balances in this account will be through the Annual Electric True-Up advice letter process, as authorized by the Commission in the new annual DCPD continued operations ratemaking proceeding, or as otherwise determined by the Commission.

4. RATES: DCEOBA rates are included in the effective rates set forth in each rate schedule or as otherwise determined in the Order Instituting Rulemaking 23-01-007.

5. ACCOUNTING PROCEDURE: The following entries will be made to this subaccount each month or as applicable.

EXTENDED OPERATIONS SUBACCOUNT (Six Sub-Accounts):

- a. A credit entry equal to revenues from the Diablo Canyon extended operations rates;
- b. A credit entry equal to net revenues and charges received in the CAISO market related to the extended operations of the Diablo Canyon Power Plant;
- c. A debit entry equal to authorized funding for liquidated damages allocated to each IOU. A corresponding credit entry is recorded in the Liquidated Damages Balancing Subaccount;
- d. A debit entry equal to incurred replacement power costs;
- e. A debit entry equal to operations and maintenance costs (O&M) including but not limited to pension, taxes, benefits and standard overheads, and regulatory compliance items;

(N)

(Continued)

Advice 6870-E
Decision 22-12-005

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ELECTRIC PRELIMINARY STATEMENT PART JR
DIABLO CANYON EXTENDED OPERATIONS BALANCING ACCOUNT
(DCEOBA)

Sheet 3

(N)
(N)
(N)

5. ACCOUNTING PROCEDURE: (Cont'd)

(N)

EXTENDED OPERATIONS SUBACCOUNT (Six Sub-Accounts) (Cont'd):

- f. A debit entry equal to plant equipment and improvement costs;
- g. A debit entry equal to nuclear fuel costs;
- h. A debit entry equal to spent fuel storage capacity costs;
- i. A debit entry equal to employee retention costs as approved by the Commission;
- j. A debit entry equal to DCISC operations costs;
- k. A debit entry equal to incremental decommissioning planning costs resulting from the license renewal;
- l. A debit entry equal to the monthly portion of the fixed management fee allocated to each IOU (\$50 million, in 2022 dollars, per unit per year in total);
- m. A debit entry equal to the volumetric performance fee of \$6.50/MWh, in 2022 dollars, allocated to each IOU;
- n. A debit or credit entry, as appropriate, to record the transfer of amounts to or from other accounts, upon approval by the CPUC; and
- o. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

LIQUIDATED DAMAGES SUBACCOUNT (One Subaccount):

- a. A credit entry equal to the monthly authorized funding of \$12.5 million per unit per month until the Subaccount reaches a balance of \$300 million. A corresponding debit entry is recorded in the Extended Operations Balancing Account;
- b. A debit entry equal to incurred replacement power costs as directed by the Commission;
- c. A debit or credit entry, as appropriate, to record the transfer of amounts to or from other accounts, upon approval by the CPUC; and
- d. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

(N)

(Continued)

Advice 6870-E
Decision 22-12-005

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Meredith Allen
Vice President, Regulatory Affairs

Submitted
Effective
Resolution

March 1, 2023



ELECTRIC PRELIMINARY STATEMENT PART JR
DIABLO CANYON EXTENDED OPERATIONS BALANCING ACCOUNT
(DCEOBA)

Sheet 4

(N)
(N)
(N)

5. ACCOUNTING PROCEDURE: (Cont'd)

(N)

VOLUMETRIC PERFORMANCE FEE SUBACCOUNT (One Subaccount):

- a. A credit entry equal to revenues from the Diablo Canyon rates associated with volumetric performance;
- b. A credit entry equal to net revenues and charges received in the CAISO market related to the extended operation of the Diablo Canyon Power Plant;
- c. A debit entry equal to the volumetric performance fee of \$6.50/MWh, in 2022 dollars;
- d. A debit or credit entry, as appropriate, to record the transfer of amounts to or from other accounts, upon approval by the CPUC; and
- e. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

(N)

PACIFIC GAS AND ELECTRIC COMPANY
APPENDIX A
STATEMENTS OF QUALIFICATIONS

1 **PACIFIC GAS AND ELECTRIC COMPANY**
2 **STATEMENT OF QUALIFICATIONS OF LISA LAANISTO**

3 Q 1 Please state your name and business address.

4 A 1 My name is Lisa Laanisto, and my business address is Pacific Gas and
5 Electric Company, 300 Lakeside Drive, Oakland, California.

6 Q 2 Briefly describe your responsibilities at Pacific Gas and Electric Company
7 (PG&E).

8 A 2 I am the Senior Director of the Total Rewards Department.
9 My responsibilities include leading the compensation and benefits teams in
10 the design and implementation of PG&E's compensation and benefits
11 programs and practices.

12 Q 3 Please summarize your educational and professional background.

13 A 3 I hold Bachelor of Science degrees' in Accounting and Finance from the
14 University of Maryland, College Park, Maryland. Additionally, I am a
15 Certified Public Accountant (Virginia).

16 I first joined PG&E in 2006 in the Accounting organization and held
17 progressively responsible positions within the organization prior to departing
18 in 2011. From 2006 through 2010, I worked as a Commodity Accounting
19 Consultant and later as a Supervisor in financial reporting starting in 2011.
20 I rejoined PG&E in 2014 in the Finance organization, lead the Benefits
21 Department from 2017 through 2019, lead the Compensation Department
22 from 2019 through 2023 and assumed my position in February 2023.

23 Q 4 What is the purpose of your testimony?

24 A 4 I am sponsoring the following testimony in PG&E's Application for Approval
25 of the Diablo Canyon Power Plant Employee Retention Program:

- 26 • Chapter 2, "Diablo Canyon Employee Retention Program".

27 Q 5 Does this conclude your statement of qualifications?

28 A 5 Yes, it does.

1 **PACIFIC GAS AND ELECTRIC COMPANY**
2 **STATEMENT OF QUALIFICATIONS OF SHANNON L. SIMS**

3 Q 1 Please state your name and business address.

4 A 1 My name is Shannon L. Sims, and my business address is Pacific Gas and
5 Electric Company, 300 Lakeside Drive, Oakland, California.

6 Q 2 Briefly describe your responsibilities at Pacific Gas and Electric Company
7 (PG&E).

8 A 2 I am an Expert Regulatory Analysis and Forecasting Analyst in the Energy
9 Accounting Department at PG&E. My responsibilities include developing
10 testimony in support of proceedings filed at the California Public Utilities
11 Commission on matters related to cost recovery.

12 Q 3 Please summarize your educational and professional background.

13 A 3 I received a Bachelor of Science degree in business administration with
14 emphases in Accounting and Marketing from the University of California at
15 Berkeley. I received my certified public accountant license in the state of
16 California while working for Deloitte & Touche LLP. I began my career with
17 PG&E in 2001 as a Senior Accounting Analyst within the Technical
18 Accounting section of the Controllers' Department. I joined the Regulatory
19 Affairs Department in 2004. In this department, my responsibilities included
20 project managing and drafting PG&E's Annual Electric True-Up and Annual
21 Gas True-Up advice letters. I rejoined the Controllers' Department in 2017
22 and assumed my current position in 2019.

23 Q 4 What is the purpose of your testimony?

24 A 4 I am sponsoring the following testimony in PG&E's Application for Approval
25 of the Diablo Canyon Power Plant Employee Retention Program:

- 26 • Chapter 3, "Cost Recovery Proposal."

27 Q 5 Does this conclude your statement of qualifications?

28 A 5 Yes, it does.

1 **PACIFIC GAS AND ELECTRIC COMPANY**
2 **STATEMENT OF QUALIFICATIONS OF MAUREEN ZAWALICK**

3 Q 1 Please state your name and business address.

4 A 1 My name is Maureen Zawalick, and my business address is Pacific Gas and
5 Electric Company, Diablo Canyon Power Plant.

6 Q 2 Briefly describe your responsibilities at Pacific Gas and Electric Company
7 (PG&E).

8 A 2 I am the Vice President (VP) of Nuclear Generation Business and Technical
9 Services for PG&E. I am responsible for the overall strategic direction and
10 oversight of Regulatory, Risk Management and Compliance, License
11 Renewal, Business Planning, Fuel Procurement and Spent Fuel
12 Management, Land Stewardship, Cyber Security, Emergency
13 Preparedness,, and Decommissioning.

14 Q 3 Please summarize your educational and professional background.

15 A 3 I received a Bachelor of Science degree in Nuclear Engineering from
16 University of Wisconsin, in 1989. I worked for Westinghouse Electric from
17 1989-1997. I then joined PG&E in 1997 as a Regulatory and Licensing
18 Engineer in the Regulatory Services Department. I have since held
19 positions as: Supervisor and Manager in Emergency Planning; Corporate
20 Support Manager; Risk and Compliance Manager; Chief of Staff to the
21 Senior VP of Generation and Chief Nuclear Officer; and Director of Nuclear
22 Generation Risk and Compliance. Immediately prior to my current
23 assignment as VP of Nuclear Generation Business and Technical Services,
24 I was the Senior Director of Generation Regulatory, Risk Management, and
25 Decommissioning.

26 Q 4 What is the purpose of your testimony?

27 A 4 I am sponsoring the following testimony in PG&E's Application for Approval
28 of the Diablo Canyon Power Plant Employee Retention Program:

- 29 • Chapter 1, "Introduction and Policy."

30 Q 5 Does this conclude your statement of qualifications?

31 A 5 Yes, it does.