

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-3503
DECEMBER 3, 1997**

RESOLUTION

RESOLUTION E-3503. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS APPROVAL OF ITS PLAN TO BEGIN DRAWING UPON THE HUMBOLDT BAY DECOMMISSIONING TRUST FUNDS TO FINANCE THREE PROJECTS LEADING TO DECOMMISSIONING OF HUMBOLDT BAY POWER PLANT UNIT 3. REQUEST APPROVED AS MODIFIED.

BY ADVICE LETTER 1678-E, FILED ON JUNE 13, 1997.

SUMMARY

1. Pacific Gas and Electric Company [PG&E] requests authority to draw on the Humboldt Bay Decommissioning Trust Funds [Trust Funds] to finance three projects at Humboldt Bay Power Plant Unit 3 [Humboldt Unit 3]:

- Mitigation of Caisson In-Leakage Project.
- Removal and Replacement of the Ventilation Stack.
- Site Radiological Survey to Support Decommissioning Cost Study.

2. The Utility Reform Network [TURN] and Redwood Alliance [Alliance] filed timely protests on July 3, 1997. PG&E filed a timely response to the protests on July 14, 1997.

3. This Resolution grants PG&E's request as modified.

BACKGROUND

1. By Advice Letter [AL] 1678-E, PG&E presented a plan to the Commission to start drawing on its Trust Funds that were set up in December of 1985 in Decision [D.]85-12-022. The Trust Funds were established to allow PG&E to recover from its ratepayers the cost of decommissioning Humboldt Unit 3.

2. Humboldt Unit 3 is a 65 megawatt boiling water reactor that began commercial operations in 1963, ceased operations in 1976, and was placed in the safe storage custodial mode in 1988 to await final decommissioning.

3. The decommissioning of Humboldt Unit 3 is fully funded with a value of about \$156 million as of December 31, 1996.

4. The PG&E plan includes three projects which are estimated to cost \$16 million. The projects are:

• Mitigation of Caisson In-Leakage Project	\$ 9.5 Million
• Removal and Replacement of the Ventilation Stack	5.0
• Site Radiological Survey to Support Decommissioning Cost Study	<u>1.5</u>
	<u>\$16.0 Million</u>

5. Subsequent to its discussions with the Office of Ratepayer Advocates, PG&E, in a letter dated July 9, 1997, reduced its request by \$300,000 to \$15.7 million.

6. PG&E states that the three projects represent activities that were part of the original decommissioning cost estimate and will offset future decommissioning expenses.

7. PG&E has discussed its plans for the three projects with the Commission's Energy Division and Office of Ratepayer Advocates, and the Nuclear Regulatory Commission.

8. At the suggestion of Virginia Strom-Martin, a member of the California Assembly, Commissioner Richard Bilas held a Town Hall meeting in Eureka on October 6, 1997, to hear the public's concerns about AL 1678-E.

NOTICE

1. PG&E served notice of AL 1678-E to certain utilities, government agencies, and other parties that requested such information. AL 1678-E was noticed in the Commission Calendar.

PROTESTS

1. TURN and Alliance protested AL 1678-E. The protests are discussed below. TURN is a consumer advocacy group which often participates in the Commission proceedings. Alliance has been before the Commission and other regulatory agencies in proceedings which established the Decommissioning Trust Fund.

DISCUSSION

1. TURN and Alliance have similar concerns, as follows:

Decommissioning vs O & M Expenses

2. Both protestants maintain that it is critical to make a distinction between decommissioning expenses and normal operation and maintenance [O&M] expenses. The latter expenses must be funded within the statutory rate freeze, whereas expenses funded by the Trust Fund are not affected by the freeze. Both protestants suspect that PG&E is proposing to use Trust Funds in activities that are in the O&M category. TURN states that the 'Mitigation of Caisson In-Leakage' project is more in the nature of an O&M expense and the 'Site Radiological Survey' preparation is part of the development of the decommissioning cost study that PG&E is required to submit in its upcoming Test Year 1999 General Rate Case [GRC] and is a matter of routine rate case preparation expense, not a decommissioning expense.

3. PG&E responds that after discussing decommissioning expenses vis-a-vis O&M expenses with the Office of Ratepayer Advocates [ORA] it agreed that \$0.3 million of the 'Mitigation of Caisson In-Leakage' project related to pressure grouting should be O&M expenses. PG&E subsequently reduced its requested \$16 million to \$15.7 million. PG&E, however, disagrees that certain other parts of the project are of the O&M category. The 'Stack Removal' and 'Site Radiological Survey' projects, according to PG&E, are part of the decommissioning cost estimate approved in D.85-12-022. PG&E wants to remove the stack *now* rather than during the final decommissioning because otherwise, in the event of an earthquake, and the possible collapse of the stack, the decommissioning costs could be substantially increased and because of the risk of release of radioactivity if the containment vessel and the spent fuel pool are breached. This potential was pointed out by the Nuclear Regulatory Commission after a site visit in 1995. There are also other safety matters that make early removal prudent. In the Eureka Town Hall meeting, PG&E representatives stated that regardless of the outcome of its request in AL 1678-E, it will remove the stack because of the danger it poses to employees.

4. The Energy Division's view is that the three projects [with the \$300,000 adjustment] are for decommissioning and not O&M purposes. They should be done soon to prevent future, potentially more costly, decommissioning activities. They will not have to be redone during the general decommissioning scheduled to start after 2014.

Alternatives to the Request

5. Alliance states that PG&E has publicly stated that it has considered moving the spent fuel from the pool to Dry Cask Storage outside the building. According to Alliance, doing this would eliminate the risk of release of radioactivity from the spent fuel cell resulting from a collapsed stack and, consequently, the stack does not have to be removed and replaced now.

6. PG&E responds that moving the spent fuel to Dry Cask Storage is not an alternative to the projects PG&E proposes in its AL 1678-E. The move would do nothing to mitigate the Caisson In-Leakage problem; nor would it prevent the 250-foot high ventilation stack from falling in case of an earthquake. PG&E asserts that contrary to Alliance's claim, it has considered alternatives to the three projects in Attachment 1 to AL 1678-E.

7. If the stack is removed, it will be replaced by a smaller stack for venting. Its removal is a one-time decommissioning project. The Energy Division believes that it is prudent to remove the stack now regardless of any decision on the moving of spent fuel.

Application vs Advice Letter Filing

8. Both protestants argue that the Advice Letter venue is not adequate for PG&E's proposal. They recommend that PG&E file an application so that there would be evidentiary hearings to examine the merits of the request. Alliance states that a careful analysis of the applicable regulations, restructuring law, and D.85-12-022 is needed. According to Alliance, any inside information PG&E may have for its request is not known to the public. TURN submits that at least two of the three projects are highly questionable with respect to their connection to plant decommissioning and need adequate opportunity for parties to examine the proposed expenditures .

9. PG&E responds by invoking Paragraph 6 of D. 85-12-022, which reads

PG&E shall submit to the Commission's E&C [now Energy] Division for review its plan for decommissioning Unit 3 when the decommissioning activity is imminent. In this submittal, PG&E shall state whether in its view a cost monitoring system and/or Independent Board of Consultants are appropriate.

PG&E states that it has fully complied with the above order and filed AL 1678-E only after discussions with the Energy Division, and that there is no provision in D.85-12-022 for filing an application for that purpose. PG&E believes that establishing an Independent Board of Consultants is not necessary because of the limited nature of the three projects.

10. The Energy Division notes that according to PG&E [Application 94-12-005 for 1996 GRC, Exhibit 6, Chapter 5], final decommissioning and dismantlement of Unit 3 is not expected to occur until after the year 2014 and that preparation for such work is likely to start a couple of years prior to that date. The Energy Division, nevertheless, believes that it is prudent to proceed with the three projects now. An application is not necessary because the projects are of the type anticipated in D. 85-12-022.

Conclusion

11. The Energy Division has reviewed PG&E's request in AL 1678-E, the protests by TURN and Alliance, and PG&E's response to them. It recommends that the Commission grant PG&E's request and deny the protests by TURN and Alliance.

FINDINGS

1. PG&E filed AL 1678-E on June 13, 1997 asking for approval of its plan to start drawing \$16 million from the Humboldt Bay Decommissioning Trust Funds to finance three projects as a prelude to the decommissioning of Power Plant Unit 3. PG&E subsequently acknowledged that \$300,000 of the above funds are in the O&M expense category and reduced the requested amount to \$15.7 million.
2. The \$15.7 million is to fund three projects;
 - Mitigation of Caisson In-Leakage
 - Removal and Replacement of the Ventilation Stack
 - Site Radiological Survey to Support Decommissioning Cost Study.
3. The three projects are decommissioning projects and not O&M projects.
4. It is reasonable to use the decommissioning trust funds to finance the three projects.
5. It is reasonable to undertake the projects now and avoid further, potentially costly, expenditures.
6. Humboldt Unit 3 is a 65 megawatt boiling water reactor that began operations in 1963, stopped operations in 1976, and was placed in the safe storage custodial mode in 1988 to await final decommissioning
7. The liability to decommission Humboldt Unit 3 is fully funded with a value of about \$156 million as of December 31, 1996.
8. The Utility Reform Network [TURN] and Redwood Alliance [Alliance] filed timely protests for AL 1678-E. PG&E filed a timely response to both protests.
9. PG&E discussed its plans with the Energy Division, Office of Ratepayer Advocates, and the Nuclear Regulatory Commission.
10. Commissioner Richard Bilas presided over a Town Hall meeting which was held on October 6, 1997 in Eureka at the suggestion of Assemblywoman Virginia Strom-Martin to hear public's concerns about AL 1678-E.
11. There is no need to submit an application for this request as there are no factual or legal issues to be resolved.
12. The protests of TURN and Alliance are denied.

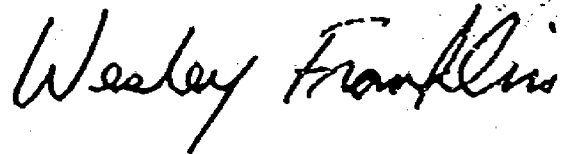
December 3, 1997

13. PG&E's request is granted.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company [PG&E] request in Advice Letter 1678-E is hereby granted, as modified from \$16 million to \$15.7 million.
2. The protests of The Utility Reform Network and Redwood Alliance are denied.
3. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 3, 1997. The following Commissioners approved it.



WESLEY FRANKLIN
Executive Director

P. Gregory Conlon, President
Jessie J. Knight, Jr.
Henry M. Duque
Josiah L. Neeper
Richard A. Bilas
Commissioners