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June 25, 2009

Mr. Peter A. Darbee
President & Chief Executive Officer
Pacific Gas & Electric Company
1 Market, Spear Tower, Suite 2400
San Francisco, CA 94105

Dear Mr. Darbee:

As required by Assembly Bill (AB) 1632 (Blakeslee), the Energy Commission completed a comprehensive assessment of Diablo Canyon and San Onofre and adopted the study, "*An Assessment of California's Nuclear Power Plants: AB1632 Report*" (AB 1632 Report) as part of its 2008 Integrated Energy Policy Report (IEPR). This AB 1632 study recommended that the CPUC take certain steps to ensure plant reliability when we review PG&E's license renewal feasibility study for Diablo Canyon. In particular, we need to ensure that we thoroughly evaluate the overall economic and environmental costs and benefits of a license extension for Diablo Canyon—especially in light of the facility's geographic location vis-à-vis seismic hazard and vulnerability assessment. As part of this evaluation, PG&E should report on its progress in implementing the AB 1632 Report's recommendation on Diablo Canyon. The CPUC will be looking to the Energy Commission's IEPR for information and input to its license renewal decisions for Diablo Canyon.

It has come to my attention that PG&E does not believe that it should include a seismic study, and other AB 1632 Report recommended studies, as part of its Diablo Canyon license extension studies for the CPUC. Apparently, PG&E bases this position on the fact that the Nuclear Regulatory Commission's (NRC) license renewal application review process does not require that such a study be included within the scope of a license extension application.

That position, however, does not allow the CPUC to properly undertake its AB 1632 obligations to ensure plant reliability, and in turn to ensure grid reliability, in the event Diablo Canyon has a prolonged or permanent outage. Therefore, the Commission directs PG&E to perform the following tasks as part of its license renewal feasibility studies for Diablo Canyon:

1. Report on the major findings and conclusions from Diablo Canyon's seismic/tsunami studies, as recommended in the AB 1632 Report (pp. 6, 7, 10 and 13), as well as studies that are directed by any subsequent legislative mandates,

and report on the implications of these findings and conclusions for the long-term seismic vulnerability and reliability of the plant.

2. Summarize the lessons learned from the Kashiwazaki-Kariwa plant experience in response to the 2007 earthquake and discuss the implications that an earthquake of the same, or greater, magnitude could have on Diablo Canyon. In particular, the Commission needs PG&E to evaluate whether there are any additional pre-planning or mitigation steps that the utility could take for the power plant that could minimize plant outage times following a major seismic event.
3. Reassess the adequacy of access roads to the Diablo Canyon plant and surrounding roadways for allowing emergency personnel to reach the plants and local communities and plant workers to evacuate. This assessment needs to consider today's local population and not rely on the situation extant when the plant was constructed.
4. Conduct a detailed study of the local economic impacts that would result from a shut-down of the nuclear plant and compare that impact with alternate uses of the Diablo Canyon site.
5. Assess low-level waste disposal costs for waste generated through a 20-year plant license extension, including the low-level waste disposal costs for any major capital projects that might be required during this period. In addition, PG&E should include its plans for storage and disposal of low-level waste and spent fuel through decommissioning of the Diablo Canyon plant as well as the cost associated with the storage and disposal.
6. Study alternative power generation options to quantify the reliability, economic and environmental impacts of replacement power options.
7. Include PG&E's responses to nuclear-related data requests and recommendations in future IEPRs.

PG&E's rate case, D. 07-03-044, specifically linked PG&E's license renewal feasibility study for Diablo Canyon to the AB 1632 assessment and PG&E is obligated to address the above itemized issues in its plant relicensing application. This commission will not be able to adequately and appropriately exercise its authority to fund and oversee Diablo Canyon's license extension without these AB 1632 issues being fully developed.

Sincerely,

Michael R. Peevey
President
California Public Utilities Commission