



**Pacific Gas and
Electric Company**

Lawrence F. Womack
Vice President
Nuclear Services

Diablo Canyon Power Plant
PO Box 56
Avila Beach, CA 93424

805 545 4600
Fax 805 545 4234

March 27, 2003

PG&E Letter DCL-03-035

PG&E Letter HBL-03-002

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555-0001

Docket No. 50-275, OL-DPR-80

Docket No. 50-323, OL-DPR-82

Diablo Canyon Units 1 and 2

Docket No. 50-133, OP-DPR-7

Humboldt Bay Unit 3

Decommissioning Funding Reports for Diablo Canyon Power Plant Units 1 and 2 and
Humboldt Bay Power Plant Unit 3

Dear Commissioners and Staff:

PG&E is submitting the decommissioning funding reports for Diablo Canyon Power Plant (DCPP) Units 1 and 2, and Humboldt Bay Power Plant (HBPP) Unit 3, pursuant to the requirements of 10 CFR 50.75(f).

Diablo Canyon Units 1 and 2

At the end of calendar year 2002, the market value of the DCPP Units 1 (3411 MWt) and 2 (3411 MWt) decommissioning trust fund was \$1,210.4 million (2002 dollars). PG&E estimates an additional \$180.3 million (future nominal dollars) will be collected over the next nineteen years and 9 months to coincide with a postulated decommissioning in 2021 of DCPP Unit 1 and an additional \$347.7 million (future nominal dollars) will be collected over the next twenty-three years, four months to coincide with a postulated decommissioning in 2025 of DCPP Unit 2.

PG&E is confident that the DCPP Units 1 and 2 decommissioning trust fund balance in 2021 and 2025 for DCPP Units 1 and 2 respectively will meet the minimum NRC decommissioning amount of \$809.6 million (2003 dollars) that was calculated pursuant to the requirements specified in 10 CFR 50.75(c).

*Add Michael
DUSA Winstock
Haber Copy*

*A001
NmSS01*

Humboldt Bay Unit 3

At the end of calendar year 2002, the market value of the HBPP Unit 3 (220 MWt) decommissioning trust fund was \$195.1 million (2002 dollars). PG&E estimates an additional \$167.6 million (future nominal dollars) will need to be collected over the next thirteen years to coincide with a decommissioning of HBPP Unit 3 in 2015, based on a site-specific decommissioning cost estimate prepared by TLG Services, Inc. In 2002, TLG revised their 1997 cost study to account for industry experience with the need to bury contaminated, above ground structures, which increased the decommissioning scope. The market value of the HBPP trust is lower than the minimum amount of the NRC decommissioning estimate of \$430.1 million (2003 dollars) that was calculated pursuant to the requirements specified in 10 CFR 50.75(c), which is based on a minimum 1200 MWt plant.

PG&E is confident the HBPP trust, with the noted additional contributions, will be sufficient to ensure successful decommissioning of HBPP Unit 3 in 2015 based on a site-specific decommissioning cost estimate.

Supporting Cost Estimates

Based on site-specific cost estimates, PG&E has estimated that the decommissioning costs are approximately \$1,055.6 million for DCPD Units 1 and 2, and \$366.7 million (including \$17.8 million spent through December 2002) for HBPP Unit 3 in 2003 dollars. These costs do not include dismantling or demolishing the non-nuclear portions of the facilities.

To assure that sufficient funds will be available for decommissioning, PG&E has established separate external sinking trust fund accounts for DCPD Units 1 and 2, and HBPP Unit 3.

Supporting Enclosures

Supporting documentation for this report is included as Enclosures 1 through 3.

Enclosures 1 and 2 provide decommissioning funding status information in a format suggested by NEI and the NRC. The enclosures are for DCPD Units 1 and 2 and HBPP Unit 3, respectively. Enclosure 3 provides information on the escalation of the required decommissioning funding amounts from 1986 dollars to 2003 dollars. As required by 10 CFR 50.75(c)(2), and using NUREG-1577, "Standard Review Plan on Power Reactor Licensee Financial Qualifications and Decommissioning Funding Assurance," Revision 1 and NUREG-1307, "Report on Waste Burial Charges," Revision 10, the information includes escalation factors for energy, labor, and waste burial costs.

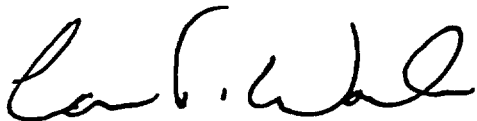
Enclosures 4 and 5 are the TLG Services, Inc. decommissioning cost estimate reports prepared in February 2002 for PG&E for the DCPD Units 1 and 2 and HBPP Unit 3 respectively. The reports provide cost estimates for decommissioning of both the nuclear and non-nuclear facilities.

Enclosures 6 and 7 provide PG&E's cost estimates for decommissioning of the non-nuclear facilities at DCPD and HBPP, respectively. This information was used to adjust the TLG Services, Inc. cost estimates to produce costs of decommissioning only the nuclear-related facilities at the plants.

Nuclear Decommissioning Cost Triennial Proceeding (NDCTP)

PG&E's March 15, 2002 filing with the California Public Utility Commission (CPUC) seeks to increase its nuclear decommissioning revenue requirements for the years 2003 through 2005, based on the February 2002 TLG Services, Inc. decommissioning cost estimate reports. The CPUC held hearings in September 2002 and is scheduled to issue a final decision in April 2003. The results of this ruling will have an impact on future assets of the nuclear decommissioning trust accounts for both Diablo Canyon Power Plant Units 1 and 2 and Humboldt Bay Power Plant Unit 3.

Sincerely,



Lawrence F. Womack
Vice President Nuclear Services

swh2/A0552286/R0231277

Enclosures

cc: Ellis W. Merschoff
Dan Gillen
cc w/o encl: Bill Huffman
David L. Proulx, Resident
Girija S. Shukla, NRR
Diablo Distribution
Humboldt Distribution
INPO