

TO: Honorable Mayor and City Councilmembers

WHEN: 9/06/2016

FROM: Thomas Frutchey, City Manager
Iris Yang, City Attorney

SUBJECT: INITIAL CITY ACTIONS REGARDING THE PROPOSED DIABLO CANYON POWER PLANT CLOSURE AND RELATED ISSUES

NEED

Even though the City of Paso Robles will not be hardest hit, the City and unincorporated areas of North County are likely to suffer economic impacts from the proposed Diablo Canyon Power Plant closure; the City can become involved as the closure approval moves through the various regulatory processes and ensure that the interests of Paso Robles and its citizens are protected by applying to be a formally recognized as party in the review and approval processes just beginning with the California Public Utilities Commission.

FACTS

1. The Diablo Canyon Power Plant (DCPP) opened in 1985. Since the shutdown of San Onofre in 2013, DCPP has been the only nuclear plant operational in California, supplying 8.6% of the electricity consumed in the state.
2. The DCPP has had a positive economic impact on San Luis Obispo County; according to a 2013 study by Cal Poly, Diablo Canyon annually contributes \$920 million to the Central Coast economy. This includes jobs, contracts for services, and extensive taxes. Diablo Canyon is the largest creator of jobs in the San Luis Obispo area. More than 1,500 employees work at Diablo Canyon; residents and businesses throughout the County depend on DCPP for business. Altogether, Diablo generates roughly 2,500 permanent jobs for the region, and up to 5,000 additional temporary contract jobs each year. The total value of the 900-acre DCPP property is approximately \$2 billion.
3. On June 21, 2016 Pacific Gas & Electric (PG&E) announced that it will close DCPP when the current operating licenses from the Nuclear Regulatory Commission (NRC) expire in 2024 and 2025. The announcement also stated that a Joint Proposal (JP) for the closure had been reached with labor and environmental groups, but required final approval by the California Public Utilities Commission (CPUC) and was contingent on the extension of current leases with the State Lands Commission (SLC), for the ocean intake and outfall structures. The JP is included as Attachment 1.
4. Closure of the DCPP is likely to have a number of significant negative consequences on the businesses, residents, and governments within the County of San Luis Obispo. These include safety, environmental concerns, disaster preparedness and emergency response, and both near- and long-term economic development.
5. On June 28, the SLC unanimously approved the extension of the leases. On July 13, the San Luis

Obispo County Board of Supervisors held a closed session meeting and voted unanimously to apply to become an intervener in all of PG&E's filings with the CPUC. Intervener status would allow the County a "seat at the table" for the discussions and negotiations as the JP moves through the CPUC process. On July 14, the San Luis Coastal Unified School District's Board of Trustees also voted unanimously during a special closed meeting to formally intervene in all of Diablo Canyon's proceedings before the CPUC, including the plant's closure and the proposed three-year general rate case starting in 2017. The City of San Luis Obispo took similar action in August. Other cities in the county are currently considering their desired level of involvement.

6. PG&E conducted public meetings to receive feedback on the JP in San Luis Obispo on July 20 and in South San Francisco on July 22. PG&E filed the JP on August 11. The CPUC has now begun a review process that is anticipated to be completed by the end of 2017, although PG&E is requesting an expedited process a part of its application. Any party that has concerns or that desires to be directly involved in the review process must submit a filing with the CPUC for automatic recognition as a recognized party by September 15.
7. There are currently several PG&E related items before the CPUC including its normal general rate case. The JP application is a new filing and covers three main areas including nuclear power replacement, employee retention, and the impact to the community. Based on the information available to date, the opportunity for the City to have the greatest influence on the process is related to the JP application. There may also be opportunities for input during the JP application review process for the actual decommissioning plan for DCP, but that is still being determined. Staff is also discussing possible cooperative efforts with other governmental agencies in the region.
8. Given the short timelines and the potential need to react quickly to provide input and/or participate in the CPUC process related to the JP, the City Manager and City Attorney are seeking Council concurrence to file directly with the CPUC as an "intervener" (or other similar status) on behalf of the City. It appears preferable to file as a joint intervener with other cities or with the County. By doing so, it shows solidarity; allows for costs to be shared, and would likely be more influential with the CPUC. Such an action merely serves as a placeholder, and does not commit the City to any specific course of action.
9. The primary goals to be pursued in the joint city/County efforts that would have the potentially greatest impact on Paso Robles include:
 - Foster creative solutions that will lessen the short and long term economic, fiscal and environmental impacts to the community.** This could include a longer runway on tax offsets to ease the transition, direct funding for programs impacted by the loss of tax revenue, and other direct financial contributions.
 - Address the issue of fair and equitable cost sharing between ratepayers and PG&E corporate assets and shareholders as warranted.** The JP currently assumes that ratepayers will pay the majority of the costs associated with closure; the shareholders would have little financial responsibility. These additional costs would translate into increased rates, to be considered by the CPUC in the current and future rate cases.

Investigate opportunities for job creation and economic diversification. Examples of this could include creation of a research and development facility located in the region, alternative energy generation technologies, infrastructure development, job training programs, and seed funding for relevant economic programs and opportunities. These opportunities could involve, among others, direct funding and/or commitments for a certain number of jobs remaining in the community for a specified amount of time, and local vendor preference for request for offers (RFO) for new energy sources.

ANALYSIS AND CONCLUSION

Although the other cities in the County are also considering applying for intervener or similar status, we don't know the outcomes of those considerations, except for San Luis Obispo. Even for those cities that do decide to become involved, we don't yet know which will decide to proceed independently and which will decide to proceed jointly. We also don't yet know the process the CPUC will follow, as this will be based, at least in part, on input from the interveners.

The recommended action is only a first step, and is reversible. The Council will have multiple opportunities to decide the nature and scope of the role it wishes the City to undertake. The Council can even choose, in the future, to withdraw our application, if it so desires.

Action is necessary now to ensure our application can be prepared and submitted prior to September 15.

FISCAL IMPACT

There is no significant financial impact from directing the City Manager and City Attorney to prepare a joint filing with other cities in the County, and potentially the County itself, to protect the City's ability to participate in the future, as needed. There is, however, a potential fiscal impact from Paso Robles and the other cities not being able to provide input on the closure process. There is also a potential cost to securing outside counsel, technical or public affairs experts to assist with the City with JP filing process at the CPUC or representing the best interests of the City. These costs are unknown. No such costs will be incurred before the City Manager and City Attorney return to the City Council for additional direction.

OPTIONS

1. Authorize the City Manager and the City Attorney to apply with the CPUC for formally recognized party status in its review and approval of the closure proposals; work collaboratively with the County and other cities in this process; and return at appropriate intervals for additional Council direction.
2. Take no action. The City Council may wish to not take any action. This is not recommended due the potential significant impacts for the City and region associated with the closure of the Diablo Canyon Power Plant and the current opportunity to influence the process.
3. Revise, amend, or replace this action.

ATTACHMENTS

1. Joint Proposal



FILED
8-11-16
04:59 PM

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric
Company for Approval of the Retirement of
Diablo Canyon Power Plant, Implementation
of the Joint Proposal, And Recovery of
Associated Costs Through Proposed
Ratemaking Mechanisms

(U 39 E)

A1608006

Application 16-08-_____

**APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
FOR APPROVAL OF THE RETIREMENT OF DIABLO CANYON POWER PLANT,
IMPLEMENTATION OF THE JOINT PROPOSAL, AND RECOVERY OF
ASSOCIATED COSTS THROUGH PROPOSED RATEMAKING MECHANISMS**

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Dated: August 11, 2016

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**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for Approval of the Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, And Recovery of Associated Costs Through Proposed Ratemaking Mechanisms

(U 39 E)

Application 16-08-_____

**APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
FOR APPROVAL OF THE RETIREMENT OF DIABLO CANYON POWER PLANT,
IMPLEMENTATION OF THE JOINT PROPOSAL, AND RECOVERY OF
ASSOCIATED COSTS THROUGH PROPOSED RATEMAKING MECHANISMS**

I. INTRODUCTION

For more than thirty years, Diablo Canyon Power Plant (“DCPP” or “Diablo Canyon”) has provided Californians with safe, reliable, and greenhouse-gas (“GHG”)-free energy.^{1/} In less than ten years, the licenses issued by the Nuclear Regulatory Commission (“NRC”) for Diablo Canyon will expire. With this timing in mind, Pacific Gas and Electric Company (“PG&E”) has joined with labor, leading environmental organizations, and a community-based nuclear safety advocacy group to chart a different energy future. The Joint Parties^{2/} represent diverse interests but are united in their commitment to helping California achieve its clean energy vision.

^{1/} For ease of reference, PG&E includes a table of acronyms and terms as Attachment F to this Application.

^{2/} The Joint Parties include PG&E, the Natural Resources Defense Council, Friends of the Earth, Environment California, International Brotherhood of Electrical Workers (“IBEW”) Local 1245, Coalition of California Utility Employees, and the Alliance for Nuclear Responsibility. In addition, as described below in Section II.C, the California Energy Efficiency Industry Council (“CEEIC”) has indicated that it supports the Joint Proposal.

Together, the Joint Parties developed a proposal that would increase investment in energy efficiency, renewable resources, and other GHG-free resources while phasing out nuclear power in California in 2024 and 2025.

This broad coalition of partners with diverse points of view collectively came to a shared vision concerning the best and most responsible path forward for Diablo Canyon. A key element of this vision is the recognition of the value of carbon-free nuclear power as an important bridge strategy over the next eight to nine years. This transition period will help to ensure that power remains affordable and there is no increase in the use of fossil fuels. Equally important, this transition period will also provide essential time needed for PG&E’s valued employees and the community to effectively plan for the future.

The Joint Proposal facilitates the retirement of Diablo Canyon and its orderly and measured replacement with energy efficiency, Renewables Portfolio Standard (“RPS”)-eligible, and other GHG-free energy resources.^{3/} To accomplish these goals, the Joint Proposal includes three tranches of energy efficiency and GHG-free energy resource procurement that will occur between 2018 and 2045, and addresses how the costs associated with this procurement will be allocated.

The Joint Parties also recognize the impact of the retirement of Diablo Canyon on PG&E’s employees and the community. PG&E depends upon and has been committed to its Diablo Canyon employees and the local community where the plant is situated and its employees live. Thus, the Joint Proposal includes an employee retention program to keep Diablo Canyon’s highly qualified workforce operating the plant until its retirement. The Joint Proposal also includes severance program provisions already included in decommissioning estimates and

^{3/} A copy of the Joint Proposal is included as Attachment A to this Application.

provisions to help employees transition to new positions through a retraining and development program. The proposed Employee Program provides appropriate incentives to the Diablo Canyon team to remain focused on the job of finishing the operating licenses of the plant safely, reliably, and with excellence, while knowing that they will be treated fairly when their current job is complete.

The Joint Proposal also addresses community impacts. Diablo Canyon is one of the largest employers, taxpayers, and charitable contributors in the San Luis Obispo County area. In order to further support this local community, the Joint Proposal includes continued funding for San Luis Obispo County at current Diablo Canyon property tax levels through 2025.

Because Diablo Canyon will be retiring in 2025, the Joint Proposal addresses the process for decommissioning and the cost associated with previous relicensing efforts. With regard to relicensing costs, the Joint Proposal recognizes that it was reasonable and prudent for PG&E to incur the costs related to the federal and state license renewal processes, which are largely comprised of technical and environmental studies and permitting and licensing costs paid to the NRC. PG&E's relicensing efforts were undertaken to preserve all options during a period of resource planning uncertainty. As a result, the Joint Proposal specifies that PG&E should be authorized to recover in rates the approximately \$53 million dollars reasonably incurred in the federal and state license renewal process.

Finally, in order to implement the Joint Proposal, PG&E requests that the Commission approve a new two-way balancing account to track the amortization of Diablo Canyon's net book value and capital additions and implement annual rate adjustments so that the book value is depreciated to zero and the costs are fully recovered in rates by the time Diablo Canyon ceases operations at the expiration of the current NRC operating licenses.

The Joint Proposal represents a landmark agreement to ensure the orderly retirement of Diablo Canyon, which has provided safe and reliable energy to California for more than 30 years, and to replace it with GHG-free resources, while at the same time addressing the needs of employees and the community. This Application describes the Joint Proposal and the specific relief PG&E seeks related to the Joint Proposal. PG&E’s Prepared Testimony, which is being served concurrently with this Application, provides a more detailed discussion of the Joint Proposal, the relief requested, and the evidence which demonstrates that the requests in this Application are reasonable and in the best interests of California and PG&E’s customers. The Joint Parties request that the Commission expeditiously review and approve this Application, which is a key stepping stone to California achieving its forward-looking energy goals and vision.

II. BACKGROUND

A. Background Regarding Diablo Canyon

Diablo Canyon Unit 1 commenced operation in 1984 and Unit 2 commenced operation in 1985. The NRC licenses expire in 2024 and 2025 for Units 1 and 2, respectively. Diablo Canyon has a capacity of more than 2,200 megawatts (“MW”) and produces more than 18,000 gigawatt-hours (“GWh”) of energy each year, providing approximately 6 percent of the energy generated in California annually, which is enough to meet the energy needs of more than three million Californians.

Over its 30-year lifetime, Diablo Canyon has been in operation more than 80 percent of the time, compared with the national average of 70 percent for other nuclear facilities. Since 1985, Diablo Canyon has operated safely and reliably, earning high performance and safety ratings from the NRC and the Institute of Nuclear Power Operations. Diablo Canyon’s GHG-

free energy avoids seven to eight million metric tons per year of GHG emissions that would otherwise be produced by conventional generation resources.

Because of its safety, reliability, and environmental benefits, PG&E filed a license renewal application with the NRC on November 23, 2009, in order to preserve the option to operate Diablo Canyon for an additional 20 years beyond the expiration of the current operating licenses. The activities performed and costs incurred in support of license renewal were necessary to ensure the potential for continued operations beyond 2024. However, as explained below, PG&E has reconsidered its relicensing efforts due to the significant and accelerating changes in the California energy landscape since 2009.

B. As A Result Of The Rapidly Changing California Energy Landscape, Diablo Canyon Will Not Be Needed At The End of the License Period

California’s electric grid is in the midst of a significant shift that creates challenges for Diablo Canyon in the coming decades. Changes in state policies, the electric generation fleet, and market conditions have combined to reduce the need for large, inflexible baseload power plants. These forces reduce the need for Diablo Canyon’s output beyond the current license period. Specifically, PG&E is faced with four primary planning challenges associated with operating Diablo Canyon beyond the current license period.

First, PG&E’s electricity supply needs are uncertain. Three key trends have significantly reduced PG&E’s electricity sales in recent years and will likely have even greater impacts in the future – the expansion of energy efficiency, increases in distributed generation especially privately-owned solar resources, and the growth of alternative energy supplies such as Community Choice Aggregation (“CCA”). This downward pressure on bundled electric sales reduces the need for electricity from Diablo Canyon. The precise impact each of these factors

will have on PG&E's electricity supply needs is not certain, though in the aggregate these factors clearly reduce PG&E's electricity sales forecast.

Second, there is a decreasing need for baseload generation. As the electric grid in California continues to evolve, so too will the characteristics of resources needed to reliably operate the California electric system. Given California's energy goals that require increasing reliance on renewables – at least 50 percent by 2030 – the California electric system will need more flexible resources to integrate renewable energy and has less need for baseload electricity resources. PG&E's need for baseload power from Diablo Canyon will decrease after 2025.

Third, PG&E is addressing the challenge of renewable resource overgeneration conditions caused by excess renewable energy supply in certain times of the day. As more solar generation comes on line over time, and when its output is at peak supply (e.g., in the middle of the day), there is less room on the electric system for energy from inflexible and large baseload resources such as Diablo Canyon. Additionally, due to expected overgeneration throughout parts of the year, Diablo Canyon may contribute to higher system costs as its current generation profile and lack of dispatchability cause challenges for efficiently integrating renewable resources. Therefore, without Diablo Canyon, the cost to integrate renewables may be lower.

Finally, the cost to operate Diablo Canyon may significantly increase. Future operating costs are uncertain due to a variety of regulatory and other factors and could increase as the facility ages. Compliance with California's environmental protection regulations and other state and federal requirements may increase costs beyond 2025. These include, for example, any environmental mitigation or compliance measures required by California resource agencies, retrofits to comply with the State Water Resources Control Board's ("SWRCB") Once-Through Cooling ("OTC") regulation, or additional regulations or orders from the NRC in response to federal regulatory or legislative changes either currently under consideration or in the future.

C. Development of the Joint Proposal

Recognizing the changing landscape of California’s energy industry, the importance of California’s GHG goals, and the need to provide sufficient time for an orderly replacement of Diablo Canyon, the Joint Parties worked together to develop the Joint Proposal with the goal of facilitating the retirement of Diablo Canyon at the end of the license periods, and replacing it with energy efficiency and GHG-free energy resources, such as renewable resources. After considerable negotiation, the Joint Proposal was announced on June 21, 2016.

On June 28, 2016, the California State Lands Commission approved the extension of DCP’s submerged lands leases through the end of the NRC operating licenses, as contemplated in Section 6.1 of the Joint Proposal. In addition, on June 21, PG&E asked the NRC to suspend consideration of PG&E’s license renewal application, as specified in Section 1 of the Joint Proposal.

On July 12, 2016, PG&E and the Joint Parties held a public workshop at PG&E’s office in San Francisco to give interested parties an opportunity to review, ask questions, and potentially join in the Joint Proposal.^{4/} PG&E also held two public workshops in San Luis Obispo on July 20 and two public workshops in South San Francisco on July 22 to answer questions about the Joint Proposal and hear comments. A report prepared by M.J. Bradley summarizing the issues raised at these sessions is included as an attachment to PG&E’s Prepared

^{4/} PG&E extended an invitation to the public workshop to parties on the service lists for the following proceedings: PG&E’s 2017 General Rate Case (“GRC”) (Application (“A.”) 15-09-001), 2015 Nuclear Decommissioning Triennial Proceeding (“NDCTP”) (A.16-03-006), Energy Efficiency OIR (Rulemaking (“R.”) 13-11-005); Renewables Portfolio Standard OIR (R.15-02-020); 2013 to 2015 Energy Resources Recovery Account (“ERRA”) Compliance Applications (A.14-02-008, A.15-02-023, and A.16-02-019); Integrated Resource Plant OIR (R.16-02-007); and 2016 and 2017 ERRA Forecast Applications (A.15-06-001 and A.16-06-003).

Testimony. As a result of these workshops and additional discussions, CEEIC has indicated that it also supports the Joint Proposal.

Finally, after the Joint Proposal was announced, the Joint Parties initiated a number of meetings with representatives of CCA and direct access (“DA”) providers and customers regarding the procurement to replace Diablo Canyon outlined in the Joint Proposal. So far, the parties have discussed issues, concerns, and potential solutions, and have agreed to continue discussions after this Application is filed. The Joint Parties are hopeful that they can work collaboratively with CCA and DA representatives to reach a resolution of issues that will work for all of the parties.

A summary of the Joint Proposal is included below, followed by a description of the specific requests in this Application.

III. SUMMARY OF THE JOINT PROPOSAL

The Joint Proposal requires approval by and implementation of discrete plan elements through a number of state and federal regulatory agencies. In this Application, PG&E requests Commission consideration and approval of Sections 2 through 5 of the Joint Proposal, and associated accounting, ratemaking, and cost recovery requests. PG&E proposes a procedural schedule that would call for responsive testimony to be served in the fall, hearings in December, briefs in January, and a proposed decision by May 2017. A final Commission decision in June 2017 would enable PG&E to proceed with the procurement of GHG-free resources in order to achieve Joint Proposal milestones for the orderly replacement of Diablo Canyon’s energy. PG&E’s request includes Commission review and approval of four critical aspects of the Joint Proposal, discussed in detail below.

A. Section 2 Of the Joint Proposal

Pursuant to Section 2 of the Joint Proposal, PG&E seeks Commission approval of its plan to replace a portion of Diablo Canyon with GHG-free resources procured in three tranches over a fifteen-year period. This includes:

1. **Tranche #1:** This tranche includes one or more competitive solicitations and potentially new utility programs to add 2,000 gross GWh of energy efficiency to be installed by the end of 2024. This tranche is intended to reduce load with a GHG-free resource before Diablo Canyon retires.
2. **Tranche #2:** This tranche includes a competitive solicitation for 2,000 GWh of GHG-free energy for delivery in 2025-2030. Energy efficiency and RPS energy resources, as well as other GHG-free energy resources, will compete to fill this opportunity.
3. **Tranche #3:** This tranche includes a voluntary 55 percent RPS commitment, which is 5 percent above the 2030 RPS mandate in Senate Bill 350. The commitment would start in 2031 and terminate the earlier of 2045 or when superseded by law or a CPUC decision.

The three tranches of GHG-free resources are a first step towards replacing Diablo Canyon with a portfolio of GHG-free resources. Additional resources beyond those specified in the Joint Proposal may be needed on a system-wide basis to replace the output of Diablo Canyon. The Joint Parties envision that this issue will primarily be addressed through the Commission’s Integrated Resource Planning process (*i.e.*, R.16-02-007). The Joint Parties are fully committed to supporting policies that result in replacing the output of Diablo Canyon with GHG-free resources. The Joint Proposal also addresses in Section 2.6 the allocation of costs related to this procurement.

B. Section 3 of the Joint Proposal

Section 3 of the Joint Proposal seeks approval of the Diablo Canyon Employee Program, which includes employee retention, retraining, and severance programs that will be offered to Diablo Canyon staff to compensate employees fairly for their continued service, to provide

incentives for those employees to stay until the plant is retired, and to maintain a safety culture that mitigates the risk of costly plant outages. The Joint Proposal reflects the fact that PG&E and the state have benefited from a well-trained, highly skilled and dedicated workforce at Diablo Canyon for its 31 years of operations. PG&E employs approximately 1,500 workers at the facility. The Employee Program described in Chapter 7 of the Prepared Testimony provides a fair and equitable set of benefits and incentives to ensure that, until the last day of Diablo Canyon's operation, there is a continuity of operational excellence. This proposal treats employees fairly and benefits customers by mitigating risk of inefficient operation that may result from the loss of experienced and knowledgeable employees.

PG&E executed labor agreements with IBEW Local 1245, the Engineers and Scientists of California, Local 20, and the Service Employees International Union to implement the retention program. PG&E requests Commission approval of these programs and authority to recover its forecasted costs of the retention and retraining programs as specified in Chapters 7 and 10 of the Prepared Testimony.

C. Section 4 of the Joint Proposal

Section 4 of the Joint Proposal recognizes and honors the mutually beneficial relationship that has existed between Diablo Canyon and the local community in which it is situated over the past three decades. Diablo Canyon has provided reliable, safe, and economic GHG-free electricity for more than 30 years. It has done so with the support and assistance of the local community that has provided a home for DCPD and its employees. Over many years, the local community has both reaped the many benefits and also borne the burdens – both realized and potential – associated with hosting an operating nuclear power plant. Simply put, Diablo Canyon could not have realized its tremendous value to all of PG&E's customers without the help and willing partnership of the local community.

Diablo Canyon is one of the largest employers, taxpayers, and charitable contributors in the San Luis Obispo County area. It currently pays approximately \$22 million in annual property taxes to the local community. In order to continue to support this local community even as the facility begins to retire, PG&E proposes to provide \$49.5 million in funding to San Luis Obispo County over a nine-year period to mitigate the decline in the economic benefit that the plant's operations have traditionally provided. The mitigation payment would be recovered through nuclear decommissioning funding.

In addition, PG&E proposes to continue its support for state and local emergency planning and preparedness, including continuing support for the San Luis Obispo County early warning system, until the decommissioning of Diablo Canyon is complete. PG&E and the other Joint Parties believe that this Community Program strikes the right balance between providing appropriate transitional assistance to the community while also recognizing that the community must manage this transition so that it can thrive in the longer term without the historic levels of spending and taxes funded by PG&E customers.

D. Section 5 of the Joint Proposal

Finally, Section 5 of the Joint Proposal addresses cost recovery for Diablo Canyon during the remaining nine years of operations and defines the process ahead for decommissioning. In this Application, PG&E requests the Commission approve a new two-way balancing account to track the amortization of Diablo Canyon's net book value and capital additions and implement annual rate adjustments so that the book value is depreciated to zero and the costs are fully recovered in rates by the time Diablo Canyon ceases operations at the end of its NRC operations licenses. In addition, the Joint Proposal specifies that PG&E should be authorized to recover in rates the approximately \$53 million dollars incurred in the federal and state license renewal process to perform technical and environmental assessments. The Joint Parties agree that it was

reasonable for PG&E to incur these costs in order to preserve all options, including license renewal, during a period of resource planning uncertainty that resulted in the decision reflected in the Joint Proposal.

Section 5.4 of the Joint Proposal addresses the process for decommissioning Diablo Canyon. It states that PG&E will prepare a detailed, site-specific decommissioning plan for Diablo Canyon that will be filed with the Commission no later than the date when the 2018 Nuclear Decommissioning Cost Triennial Proceeding (“NDCTP”) will be submitted. This plan will update the cost estimate for the decommissioning project.

IV. DESCRIPTION OF PG&E’S REQUESTS IN THIS APPLICATION

In order to implement the four sections of the Joint Proposal described above, PG&E requests that the Commission authorize PG&E to:

1. Conduct the procurement activities related to Tranches #1 through #3, as described in Section 2 of the Joint Proposal and in Chapters 4 to 6 of PG&E’s Prepared Testimony.
2. Recover \$1.3 billion for administration and acquisition of the new Tranche #1 energy efficiency procurement as authorized energy efficiency funding, subject to return of all unspent funds as described in Chapter 4, over a 7-year period through an annual expense-only revenue requirement of \$187 million beginning January 1, 2019 through December 31, 2025 through the electric Public Purpose Program (“PPP”) rate component.
3. Recover Tranche #2 procurement costs for energy efficiency resources through the PPP rate component.
4. Establish the Clean Energy Charge, which would include separate components to: (a) recover GHG-free energy resource procurement costs related to Tranche #2 procurement from all electric users in PG&E’s service territory including PG&E’s bundled electric customers, CCA customers, and DA customers, subject to a self-provision option; and (b) recover RPS procurement costs related to Tranche #3 from PG&E bundled electric customers that depart after the Commission issues a decision approving this Application. These two components of the Clean Energy Charge are described in more detail in Chapters 5 and 6, respectively, of PG&E’s Prepared Testimony, and the Clean Energy Charge itself is described in Chapter 10 of PG&E’s Prepared Testimony.

5. Establish a self-provision option for CCA and DA providers that elect to self-provide GHG-free energy resources in lieu of the Tranche #2 component of the Clean Energy Charge. CCA and DA providers would elect to self-provide within thirty days of a Commission decision approving this Application and would agree to procure a specified amount of GHG-free resources, measured in GWh, and commit to a 55% RPS for the period 2031 through 2045. The self-provision option is described in more detail in Chapter 5 of PG&E's Prepared Testimony.
6. Recover \$352.1 million in costs associated with retaining approximately 1,500 employees at Diablo Canyon, as described in Chapter 7, to ensure the plant's continued safe and efficient operation through the end of each unit's license in 2024 and 2025, respectively, over a 7-year period through an annual expense-only revenue requirement of \$50.9 million beginning January 1, 2018 through December 31, 2024 through the Nuclear Decommissioning ("ND") NBC.
7. Implement the Employee Severance Program described in Chapter 7 and authorize PG&E to continue to forecast and recover the cost of the Employee Severance Program in each subsequent NDCTP.
8. Recover \$11.3 million in costs associated with retraining eligible employees at Diablo Canyon, as described in Chapter 7, and to recover these costs over a 5-year period through an annual expense-only revenue requirement of \$2.3 million from January 1, 2021 through December 31, 2025 through the ND NBC.
9. Continue providing emergency preparedness support to the state and local community during the decommissioning process, as described in Chapter 8, and authorize PG&E to forecast and recover the associated costs in each subsequent NDCTP, subject to the stakeholder review process proposed in Chapter 8.
10. Recover \$49.5 million to offset property tax loss for San Luis Obispo County, as described in Chapter 8 of PG&E's Prepared Testimony, over an 8-year period through an annual expense only revenue requirement of \$6.3 million beginning January 1, 2018 through December 31, 2025 through the ND NBC.
11. Recover \$52.7 million in costs associated with Diablo Canyon license renewal activities, as described in Chapter 9, through an expense-only revenue requirement of \$6.7 million to be recovered from customers over an 8-year period from January 1, 2018 through December 31, 2025, through the generation rate component.
12. Establish a new two-way balancing account, the Diablo Canyon Retirement Balancing Account, as described in Chapter 10 of PG&E's Prepared Testimony, effective January 1, 2017 with the following subaccounts:

- a. Diablo Canyon Capital Depreciation Subaccount to recover DCPD Units 1 and 2 full book value by the time the units cease operations on November 2, 2024 and August 26, 2025, respectively, or by December 31, 2024 should the SWRCB not grant PG&E’s request to continue once through cooling operations for Unit 2 beyond December 30, 2024.
 - b. Employee Retention Program Subaccount to administer recovery of \$352.1 million in costs associated with retaining PG&E’s employees at Diablo Canyon for the remainder of plant operations.
 - c. Employee Retraining Program Subaccount to administer recovery of \$11.3 million in costs associated with retraining eligible employees at Diablo Canyon.
13. Update the Diablo Canyon capital depreciation expense revenue requirement annually, as described in Chapter 10, to reflect the forecast annual gross additions as provided in PG&E’s GRC and to true-up the previous year’s authorized revenues with actual capital depreciation expense through a Tier 3 advice letter to be filed in May of each year through the remainder of DCPD’s licenses.

V. OVERVIEW OF PREPARED TESTIMONY

PG&E’s Prepared Testimony accompanying this Application consists of one exhibit (PG&E-1) which includes the following chapters:

Chapter	Title
1	Policy and Overview
2	Diablo Canyon Power Plant Need Analysis
3	Replacement of Diablo Canyon Power Plant
4	Tranche #1 – Energy Efficiency
5	Tranche #2 – All Source GHG Free Energy Request for Offers
6	Tranche #3 –Voluntary 55 Percent Renewables Portfolio Standard Commitment
7	Employee Program
8	Community Impacts Mitigation Program
9	DCPD License Renewal Project Costs 2009-2016
10	Accounting, Cost Recovery, and Revenue Requirements

VI. INFORMATION REQUIRED BY THE COMMISSION'S RULES OF PRACTICE AND PROCEDURE

A. Statutory and Other Authority (Rule 2.1)

PG&E files this Application pursuant to California Public Utilities Code Sections 365.1, 366.2, 380, 451, 454.5, 454.52, 455, 701, and 8321-8330, the Commission's Rules of Practice and Procedure, and prior decisions, orders and resolutions of the Commission. There are numerous Commission decisions addressing various aspects of this Application including decisions related to energy efficiency, RPS implementation, resource and long-term planning, allocation of procurement costs, nuclear decommissioning activities and costs, Diablo Canyon relicensing costs, and other issues raised or addressed in this Application.

B. Legal Name and Principal Place of Business (Rule 2.1(a))

The legal name of the Applicant is Pacific Gas and Electric Company. PG&E is a corporation organized under the State of California. PG&E's principal place of business is 77 Beale Street, San Francisco, California 94105.

C. Correspondence and Communications (Rule 2.1(b))

All correspondence, communications, and service of papers regarding this Application should be directed to:

William Manheim
Law Department
Pacific Gas and Electric Company
P.O. Box 7442 (B30A)
San Francisco, CA 94120
Telephone: (415) 973-6628
Facsimile: (415) 973-5520
E-Mail: wvm3@pge.com

Conor Doyle
Regulatory Affairs
Pacific Gas and Electric Company
P.O. Box 770000 (B9A)
San Francisco, CA 94177
Telephone: (415) 973-7817
Facsimile: (415) 973-0942
E-Mail: jcdt@pge.com

D. Categorization, Hearings, And Issues To Be Considered (Rule 2.1(c))

1. Proposed Categorization

PG&E proposes that this Application be categorized as a ratesetting proceeding.

2. Need for Hearings

The need for hearings depends on the degree to which other parties contest this Application. While PG&E hopes to resolve the Application without hearings, PG&E's proposed schedule conservatively assumes that hearings may be necessary.

3. Issues to Be Considered

The issues to be considered in this Application are as follows:

1. Whether PG&E should be authorized to conduct the procurement activities related to Tranches #1 through #3, as described in Section 2 of the Joint Proposal and in Chapters 4 to 6 of PG&E's Prepared Testimony.
2. Whether PG&E should be authorized to recover \$1.3 billion for administration and acquisition of the new Tranche #1 energy efficiency as authorized energy efficiency funding over a 7-year period through an annual expense-only revenue requirement of \$187 million beginning January 1, 2019 through December 31, 2025 through the electric PPP rate component, subject to a return of unspent funds.
3. Whether Tranche #2 procurement costs for energy efficiency resources should be recovered through the PPP rate component.
4. Whether PG&E should be authorized to establish the Clean Energy Charge, which would include separate components to: (a) recover GHG-free energy resource procurement costs related to Tranche #2 procurement from all electric users in PG&E's service territory including PG&E's bundled electric customers, CCA customers, and DA customers, subject a self-provision option; and (b) recover RPS procurement costs related to Tranche #3 from PG&E bundled electric customers that depart after the Commission issues a decision approving this Application. These two components of the Clean Energy Charge are described in more detail in Chapters 5 and 6, respectively, of PG&E's Prepared Testimony, and the Clean Energy Charge itself is described in Chapter 10 of PG&E's Prepared Testimony.
5. Whether PG&E should be authorized to establish a self-provision option for CCA and DA providers that elect to self-provide GHG-free energy resources in lieu of the Tranche #2 component of the Clean Energy Charge. CCA and DA providers would elect to self-provide within thirty days of a Commission decision approving this Application and would agree to procure a certain GWh amount of GHG-free resources as well as commit to a 55% RPS for the period 2031 through 2045. The self-provision option is described in more detail in Chapter 5 of PG&E's Prepared Testimony.

6. Whether PG&E should be authorized to recover \$352.1 million in costs associated with retaining approximately 1,500 employees at Diablo Canyon to ensure the plant's continued safe and efficient operation through the expiration of each unit's license in 2024 and 2025, respectively, over a 7-year period through an annual expense-only revenue requirement of \$50.9 million beginning January 1, 2018 through December 31, 2024 through the ND NBC.
7. Whether PG&E should recover \$11.3 million in costs associated with retraining eligible employees at Diablo Canyon, as described in Chapter 7, and to recover these costs over a 5-year period through an annual expense-only revenue requirement of \$2.3 million from January 1, 2021 through December 31, 2025 through the ND NBC.
8. Whether PG&E should be authorized to recover \$49.5 million to offset property tax loss to San Luis Obispo County through 2024 over an 8-year period through an annual expense only revenue requirement of \$6.3 million beginning January 1, 2018 through December 31, 2025 through the ND NBC.
9. Whether the Commission should approve the Employee Severance Program described in Chapter 7 and authorize PG&E to continue to forecast and recover the cost of the Employee Severance Program in each subsequent NDCTP.
10. Whether the Commission should approve PG&E's proposal to continue providing emergency preparedness support to the state and local community during the decommissioning process and authorize PG&E to forecast and recover the associated costs in each subsequent NDCTP, subject to the stakeholder review process proposed in Chapter 8.
11. Whether PG&E should be authorized to recover \$52.7 million in costs associated with Diablo Canyon license renewal activities, as described in Chapter 9, through an expense-only revenue requirement of \$6.7 million to be recovered from customers over an 8-year period from January 1, 2018 through December 31, 2025, through the generation rate component.
12. Whether the Commission should approve the establishment of a new two-way balancing account, the Diablo Canyon Retirement Balancing Account effective January 1, 2017 with the following subaccounts:
 - a. Diablo Canyon Capital Depreciation Subaccount to recover DCPD Units 1 and 2 full book value by the time the units cease operations on November 2, 2024 and August 26, 2025, respectively, or by December 31, 2024 should the SWRCB not grant PG&E's request to continue once through cooling operations for Unit 2 beyond December 30, 2024.

- b. Employee Retention Program Subaccount to administer recovery of \$352.1 million in costs associated with retaining PG&E's employees at Diablo Canyon for the remainder of plant operations.
 - c. Employee Retraining Program Subaccount to administer recovery of \$11.3 million in costs associated with retraining eligible employees at Diablo Canyon.
13. Whether the Commission should authorize PG&E to update the Diablo Canyon capital depreciation expense revenue requirement annually to reflect the forecast annual gross additions as provided in PG&E's GRC and to true-up the previous year's authorized revenues with actual capital depreciation expense through a Tier 3 advice letter to be filed in May of each year through the remainder of DCP's licenses.

E. Procedural Schedule

PG&E proposes the following procedural schedule for this Application.

Date	Event
August 11, 2016	PG&E files Application
August 16, 2016 (expected)	Notice of Application appears in Daily Calendar
+ 30 days	Protests filed
+ 10 days	Reply to Protests filed
September 19, 2016	Prehearing Conference
October 28, 2016	ORA and Intervenor testimony served (if any)
November 30, 2016	Rebuttal testimony served (if any)
December 13-16, 2016	Hearings (if any)
January 16, 2017	Opening Briefs
February 3, 2017	Reply Briefs
May 2017	Proposed Decision
June 2017	Final Decision

F. Articles of Incorporation (Rule 2.2)

PG&E is, and since October 10, 1905, has been, an operating public utility corporation organized under California law. It is engaged principally in the business of furnishing electric and gas services in California. A certified copy of PG&E's Restated Articles of Incorporation,

effective April 12, 2004, was filed with the Commission on May 3, 2004 with PG&E's A.04-05-005. These articles are incorporated herein by reference.

G. Authority to Increase Rates (Rule 3.2)

This Application requests an increase in PG&E's rates. Therefore, PG&E is providing material in this Application that complies with Rule 3.2. This Application is not a general rate increase application, so Rule 3.2(a) applies except for subsections (4), (7), (8), and (9).

H. Balance Sheet and Income Statement (Rule 3.2(a)(1))

Attachment B of this Application presents PG&E's most current balance sheet and income statement for the period ending June 30, 2016.

I. Statement of Presently Effective Rates (Rule 3.2(a)(2))

Attachment C of this Application presents PG&E's presently effective electric rates.

J. Statement of Proposed Increases or Changes In Rates (Rule 3.2(a)(3))

Attachment D of this Application presents PG&E's proposed changes in electric rates.

K. Summary of Earnings (Rule 3.2(a)(5) and (a)(6))

A summary of recorded year 2014 revenues, expenses, rate cases and rate of return for PG&E's Electric Department was filed with the Commission on September 1, 2015, in A.15-09-001 and is incorporated by reference.

L. Type of Rate Change Requested (Rule 3.2(a)(10))

This Application seeks to pass through to customers increased costs associated with the retirement of Diablo Canyon and its orderly and measured replacement with energy efficiency, RPS-eligible, and other GHG-free energy resources. Specifically, PG&E is requesting that the Commission approve the increased costs described above in Section IV and to pass these costs through by using the cost allocation mechanisms and rates described in Section IV.

M. Notice to Governmental Entities (Rule 3.2(b))

Attachment E presents the list of governmental entities, including the State of California and cities and counties served by PG&E, to whom PG&E will mail a notice stating in general terms the proposed revenues, rate changes, and ratemaking mechanisms requested in this Application, within twenty days after filing this Application.

N. Publication (Rule 3.2(d))

Within twenty days after filing this Application, PG&E will publish in newspapers of general circulation in each county in its service territory a notice of filing.

O. Notice to Customers (Rule 3.2(d))

Within 45 days of filing this Application, PG&E will include notices with the regular bills mailed and emailed to all customers affected by the proposed changes.

P. Safety (Rule 2.1(c))

In D.16-01-017, the Commission adopted an amendment to Rule 2.1(c) requiring Applications to clearly state “relevant safety considerations.” This Application address two key safety issues. First, by approving the continued operation of Diablo Canyon through the end of the current licenses in 2025, and the costs associated with this operation, the Commission will ensure that Diablo Canyon continues to operate in a safe and reliable manner through the current license period. While the NRC is ultimately responsible for overseeing the safe operation of Diablo Canyon, this Application will ensure that PG&E has sufficient funds and authority to continue to operate Diablo Canyon in a safe and reliable manner. Second, this Application provides for three procurement tranches including energy efficiency and GHG-free resources. PG&E’s contracts with these resources will address safety and will provide criteria and requirements for providers to safely operate in compliance with legal and regulatory requirements.

VII. CONCLUSION

PG&E has joined with labor, leading environmental organizations and a community-based nuclear safety advocacy group in the Joint Proposal, all united in the commitment to helping California achieve its clean energy vision. To achieve goal, PG&E respectfully requests that the Commission issue a decision in this proceeding that authorizes each of the requests specified in Section IV of this Application.

Respectfully submitted,

By: /s/ William V. Manheim
WILLIAM V. MANHEIM

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Attorney for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: August 11, 2016

VERIFICATION

I, Steven Malnight, say:

I am an officer of Pacific Gas and Electric Company, a corporation, and am authorized pursuant to Rule 2.1 and Rule 1.11 of the Rules of Practice and Procedure of the CPUC to make this Verification for and on behalf of said corporation, and I make this Verification for that reason. I have read the foregoing Application and I am informed and believe that the matters therein concerning Pacific Gas and Electric Company are true. I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed at San Francisco, California, this 11th day of August, 2016.

/s/ Steven Malnight
STEVEN MALNIGHT
Senior Vice President, Regulatory Affairs

Attachment A

Joint Proposal

**JOINT PROPOSAL OF
PACIFIC GAS AND ELECTRIC COMPANY, FRIENDS OF THE EARTH,
NATURAL RESOURCES DEFENSE COUNCIL, ENVIRONMENT CALIFORNIA,
INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS LOCAL 1245,
COALITION OF CALIFORNIA UTILITY EMPLOYEES AND ALLIANCE FOR
NUCLEAR RESPONSIBILITY TO RETIRE DIABLO CANYON NUCLEAR POWER
PLANT AT EXPIRATION OF THE CURRENT OPERATING LICENSES AND
REPLACE IT WITH A PORTFOLIO OF GHG FREE RESOURCES**

Pacific Gas and Electric Company (“PG&E”) Friends of the Earth (“FOE), Natural Resources Defense Council (“NRDC”), Environment California, International Brotherhood of Electrical Workers Local 1245 (“IBEW Local 1245”), Coalition of California Utility Employees (“CUE”) and Alliance for Nuclear Responsibility (“A4NR”) (collectively, the “Parties”) enter into this Joint Proposal governing the closure of Diablo Canyon Nuclear Power Plant (“Diablo Canyon”) at the expiration of its existing Nuclear Regulatory Commission (“NRC”) operating licenses and orderly replacement of Diablo Canyon with a greenhouse gas (“GHG”) free portfolio of energy efficiency, renewables and energy storage that includes a 55 percent Renewable Portfolio Standard commitment by 2031.

PREAMBLE

A. Diablo Canyon Units 1 and 2 began commercial operation in May 1985 and March 1986, respectively, and are licensed by the NRC for operation until November 2, 2024 and August 26, 2025. Each year Diablo Canyon generates about 20 percent of the annual electricity production in PG&E’s service territory and nine percent of California’s annual production. Diablo Canyon has been operated by a committed and dedicated group of employees throughout its 31 years of operations. In 2009, PG&E filed at the NRC to continue Diablo Canyon’s operations for an additional twenty years.

B. In 2015, Senate Bill (SB) 350 (2015) enacted California Public Utilities Code § 454.51 which requires the California Public Utilities Commission (“CPUC”) to “identify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable power in a cost-effective manner. SB 350 also enacted Public Utilities Code § 454.52 which requires the CPUC to establish an integrated resource planning (“IRP) process for regulated load-serving entities that helps to achieve the State’s green house gas emission reduction target of 40 percent below 1990 levels by 2030 while continuing to deliver safe, reliable, least-cost service to customers.

C. After considering factors including, but not limited to, (i) the increase of the Renewable Portfolio Standard (“RPS”) to 50% by 2030; (ii) doubling of energy efficiency goals under SB 350; (iii) the challenge of managing overgeneration and intermittency conditions under a resource portfolio increasingly influenced by solar and wind production; (iv) the growth rate of distributed energy resources; and (v) the potential increases in the departure of PG&E’s retail load customers to Community Choice Aggregation (“CCA”), PG&E in consultation with the Parties has concluded that the most effective and efficient path forward for achieving California’s SB 350 policy goal for deep reductions of GHG emissions is to retire Diablo Canyon at the close of its current operating license period and replace it with a portfolio of GHG free resources. The Parties agree that the orderly replacement of Diablo Canyon with GHG free resources will be the reliable, flexible, and cost-effective solution for PG&E’s customers.

D. The Parties recognize that the three tranches of resource procurement proposed in this Joint Proposal are not intended to specify everything that will be needed to ensure the orderly replacement of Diablo Canyon with GHG free resources, which is the Parties’ shared commitment. The full solution will emerge over the 2024-2045 period, in consultation with

many parties and with the oversight of the CPUC, the California Independent System Operator (“CAISO”), the California Energy Commission (“CEC”), the California Air Resources Board, the Governor, and the Legislature. Additional procurement beyond that specified in the three tranches will be needed on a system wide basis to replace the output of Diablo Canyon and the Parties envision that this issue will primarily be addressed through the CPUC’s IRP process. Some of the factors influencing resource replacement in PG&E’s Northern and Central California service territory will occur outside the CPUC’s resource planning proceedings, including but not limited to Statewide adoption of enhanced energy efficiency goals, customers’ additions of distributed energy resources, potential expansion of customer loads by current and future CCAs, Energy Service Providers (“ESPs”) and other load-serving entities (“LSEs”), and reduced need for periodic curtailment of California’s increasingly abundant solar and wind resources. Given these and other uncertainties, the Parties cannot, and it would be a mistake to try to, specify all the necessary replacement procurement now; what the Parties have proposed in the Joint Proposal are significant and appropriate steps in the journey. The Parties are fully committed to supporting policies that result in replacing the output of Diablo Canyon with GHG-free resources.

AGREEMENT

The Parties agree to the following terms and conditions:

1. Diablo Canyon License Renewal

1.1. Under the terms of this Joint Proposal, PG&E will retire Diablo Canyon at the expiration of its current NRC operating licenses. The Parties will jointly propose and support the orderly replacement of Diablo Canyon with GHG free resources.

1.2. Recognizing that the procurement, construction and implementation of a GHG-

free portfolio of energy efficiency, renewables and energy storage replacement resources will take years, the Parties recognize that PG&E intends to operate Diablo Canyon to the end of its current NRC operating licenses which expire on November 2, 2024 (Unit 1) and August 26, 2025 (Unit 2), subject to the Unit 2 timing issue discussed in Section 6.2. This eight to nine year transition period will provide the time to begin the process to plan and replace Diablo Canyon's energy with new GHG-free replacement resources.

1.3. PG&E will immediately cease any efforts on its part to renew the Diablo Canyon operating licenses and will ask the NRC to suspend consideration of the pending Diablo Canyon license renewal application pending withdrawal with prejudice of the NRC application upon CPUC approval of the Joint Proposal Application.

1.4. Nothing in this Joint Proposal constrains or limits in any way the right of Parties to raise safety or compliance issues related to Diablo Canyon with the NRC or any other government agency, going forward.

2. Greenhouse Gas Free Replacement Resources

2.1. The Parties jointly propose that Diablo Canyon be replaced with a GHG-free portfolio of energy efficiency, renewables and energy storage, as specified below. The portfolio will include a mix of investments that facilitates the achievement of broader statewide goals for deep reductions in GHG emissions, reliability, resource integration, and other long-term, cost-effective system wide benefits. The Parties propose that PG&E be authorized to procure GHG-free replacement resources in three competitive procurement tranches. The procurement provisions in section 2 of the Joint Proposal are beyond A4NR's charter and interests. A4NR takes no position on these provisions (as well as the related provisions in the second and third

sentences of Section 7.3) but agrees not to oppose Section 2 of the Joint Proposal or the implementation actions undertaken by PG&E consistent with these provisions.

In the first tranche (Section 2.2), PG&E will be authorized to obtain 2,000 gross gigawatt-hours (“GWH”) of energy efficiency savings to be implemented over the 2018 to 2024 time period. In the second tranche (Section 2.3), PG&E will be authorized to procure 2,000 GWH of GHG-free energy resources through an all-source solicitation that will commence energy deliveries or add energy efficiency programs or projects to the system in the 2025 to 2030 time period. In the third tranche (Section 2.4), with energy delivery starting in 2031, PG&E will purchase incremental RPS eligible resources through competitive solicitations to voluntarily achieve a 55% RPS and PG&E will maintain this voluntary commitment through 2045 or until superseded by action of the legislature or the CPUC.

2.2. Tranche 1: Energy Efficiency

2.2.1. PG&E will obtain 2,000 gross GWH from Energy Efficiency (“EE”) installed by January 1, 2025 (measured as the sum of the first year gross GWH from EE installed in 2018 – 2024). The objective of this Tranche 1 component of the Joint Proposal is to achieve “early action” GHG savings prior to the retirement of Diablo Canyon in order to support flexibility in the timing of resource commitments in Tranche 2 and 3. PG&E may seek CPUC approval of cost-effective EE programs in excess of the 2,000 gross GWH target.

2.2.2. PG&E will issue a Request for Offers (“RFO”) for EE projects and programs on or before June 1, 2018. The RFO will request bids for new EE projects and programs to be installed in the 2018-2024 timeframe. The Tranche 1 RFO will procure EE only. The goal of the RFO is to encourage new EE offerings, not duplicate existing

programs. In order to assure cost-effectiveness, eligible bids must be below a “RPS equivalent” cost cap that will be specified in the RFO. The RFO will compare offers using the Program Administrator Cost Test. The RFO will encourage proposals that estimate savings using an existing conditions baseline and normalized meter-based savings estimates where feasible and appropriate.

2.2.3. In addition, PG&E may propose new utility EE programs for the purpose of meeting the 2,000 gross GWH savings target. New utility EE will be evaluated for cost-effectiveness using the Program Administrator Cost Test. Where feasible and appropriate, PG&E will estimate savings using an existing conditions baseline and normalized meter-based savings estimates.

2.2.4. In its CPUC Application seeking approval of the Joint Proposal (“Joint Proposal Application”), PG&E will request approval of the funding needed to meet the Tranche 1 2,000 gross GWH EE target for the years 2018-2024. The incremental revenue requirement will be recovered in PG&E’s electric public purpose program (“PPP”) rates as non-bypassable charges. PG&E will also seek authorization to issue the RFO, including a description of the RFO process, PG&E will report its progress towards meeting the 2,000 gross GWH target in its annual energy efficiency report, separate from its reports on its other programs. PG&E will hold successive RFOs and/or propose new utility programs until the 2,000 gross GWH target has been achieved.

2.3. Tranche 2: All Source GHG Free Energy Request For Offers

2.3.1. No later than June 1, 2020, PG&E will issue an all-source RFO for 2,000 GWH per year of GHG-free energy resources or EE. The RFO eligibility requirements will include: i) the resource must be a source of GHG-free energy or result in energy

savings (for example, renewables, EE; energy storage, by itself, is not a source of energy and therefore is not eligible); ii) EE proposals must be for projects installed in PG&E's service territory; iii) energy deliveries must be for a minimum term of 5 years; iv) energy deliveries must commence during the period 2025-2030 and achieve the 2,000 GWH per year target during this period; v) at PG&E's discretion, EE proposals may commence prior to 2025; and vi) utility-owned generation will be eligible to compete in the RFO. In the Joint Proposal Application, PG&E will specify the RFO framework, including the least-cost, best fit evaluation criteria, RFO process and the CPUC approval process.

2.3.2. If PG&E does not obtain CPUC approval of GHG-free energy resource contracts or EE for 2,000 GWH per year as a result of the first RFO, it will hold successive RFOs until the 2,000 GWH per year target has been achieved.

2.3.3. PG&E will submit the winning bids from the RFO to the CPUC for its review and approval. At that time, PG&E may seek CPUC approval of cost-effective contracts from GHG-free resources in excess of the 2,000 GWH target.

2.3.4. The effectiveness of all GHG-free energy resource procurement contracts resulting from the RFOs will be conditioned upon CPUC approval, assurance of cost recovery and, as specified in Section 2.6, pre-approval of a cost allocation method. The incremental revenue requirement for EE programs selected in the all source RFO will be recovered in PG&E's electric PPP rates as non-bypassable charges.

2.4. Tranche 3: Voluntary 55 Percent RPS Commitment

2.4.1. In each of the years beginning in 2031 and ending in 2045, PG&E commits to providing 55 percent of its total retail sales from eligible renewable energy resources, as defined in the CEC Renewables Portfolio Standard Guidebook. In

determining whether PG&E has met this commitment, all RPS requirements and limits set forth in the RPS Statute (California Public Utilities Code Section 399.11 et. seq.) will apply, as interpreted by the CEC and the CPUC (including, but not limited to, the portfolio balance requirements adopted in D.11-12-052, the banking and other compliance rules adopted in D.12-06-038, and the RPS enforcement rules adopted in D.14-12-023), except that the voluntary procurement quantity requirement in each year will be based upon the 55 percent RPS commitment. To facilitate determining whether it met this commitment, PG&E will use the RPS Compliance Report spreadsheet most recently adopted by the CPUC and the volumes reported in final, verified compliance reports for each applicable year.

2.4.2. PG&E's voluntary 55 percent RPS commitment will terminate on the earlier of 2045 or when superseded through implementation of an RPS requirement (or equivalent GHG reduction regulation) that exceeds 55 percent.

2.5. Resource Integration and Storage: The Parties recognize that the retirement of Diablo Canyon in 2025, a large baseload source of energy, will impact the efficient and reliable balancing of load and resources in PG&E's service territory. On the one hand, removing a large baseload resource during periods of peak solar production will reduce the need for periodic curtailment of RPS resources and enhance RPS resource integration during these periods. On the other hand, the retirement of Diablo Canyon may have impacts on system ramping and the need for additional energy storage. The challenges associated with resource integration, and system and local reliability, must be reviewed and resolved by the CPUC through its IRP process, in collaboration with the CAISO. The Parties will strongly support at the CPUC and before the CAISO the use of cost-effective GHG-free resource solutions, some of which may include

additional large pumped storage and utility-owned storage projects. Given the reliability and resource integration challenges described above, the Parties support a change in existing policies to allow allocation of resource costs for integration and storage through the CAISO's Transmission Access Charge ("TAC") or alternatively, through a Cost Allocation Mechanism ("CAM"), such as the CAM specified in Public Utilities Code Section 365.1(c), Section 454.51(c), or other similar CAM mechanisms approved by the CPUC.

2.6. Cost Recovery: Under the Joint Proposal, PG&E makes a commitment to procure GHG-free energy resources through 2030 and beyond for the benefit of all customers in its service territory. PG&E's commitment to replace Diablo Canyon energy with GHG-free energy resources under tranche 2 (Section 2.3) and tranche 3 (Section 2.4) is therefore conditioned upon CPUC pre-approval that any procurement PG&E makes associated with the Joint Proposal will be subject to a non-bypassable cost allocation mechanism that : 1) equitably allocates costs and benefits, such as RPS or Resource Adequacy credits, associated with the procurement among responsible load serving entities; and 2) determines the net capacity costs of such procurement consistent with the methodology for the allocation of net capacity costs described in California Public Utilities Code section 365.1(c)(2)(C). In the Joint Proposal Application, PG&E will ask the CPUC to pre-approve the non-bypassable cost allocation mechanism and the Parties will support approval of this proposal. Costs associated with EE in Tranche 1 or Tranche 2 will be recovered through the PPP on a non-bypassable basis, consistent with existing recovery mechanisms for EE costs.

3. Employee Retention and Severance Program

3.1. PG&E and all of California has benefited from a well-trained, highly skilled and dedicated workforce at Diablo Canyon for its 31 years of operations. It is critical to retain these

highly qualified personnel at Diablo Canyon during the remaining years of operations. Pursuant to California Public Utilities Code Section 8330, these costs of these retention and severance programs will be recovered through the rates for Diablo Canyon decommissioning. PG&E will propose a fair and equitable employee package as part of its Joint Proposal Application.

3.2. PG&E's Employee Program contains the following elements: (i) an employee severance program; (ii) a retention program to ensure adequate staffing levels (iii) a retraining and development program to facilitate redeployment of a portion of plant personnel to the decommissioning project and elsewhere with PG&E. The severance program was previously approved by the CPUC in prior nuclear decommissioning ratemaking proceedings. PG&E estimates that the additional cost of the Employee Retention, Retraining and Development Programs is approximately \$350 million. PG&E will provide a detailed description and cost estimate of the Employee Program for CPUC approval in the Joint Proposal CPUC Application and PG&E's commitment to implement the program is conditioned upon CPUC approval. The Retention, Retraining and Development Programs are subject to bargaining with PG&E's labor unions.

4. Community Impacts Mitigation Program

4.1. Diablo Canyon is one of the largest employers, taxpayers, and charitable contributors in the San Luis Obispo County area. Diablo Canyon currently contributes approximately \$22 million in property taxes to the local community. With the retirement of Diablo Canyon, this could decline to zero by 2025. The Parties will support funding of continuing revenue streams to address community needs and concerns. PG&E will propose to compensate San Luis Obispo County for the loss of property taxes associated with the declining rate base in Diablo Canyon through a transition period ending in 2025. The payment in lieu of

taxes will be recovered through nuclear decommissioning funding. PG&E estimates that the total cost of the Community Impacts Mitigation Program is approximately \$49.5 million. As specified in Section 5.4.1, as a condition of the program, PG&E will recover the costs of the Community Impacts Mitigation Program through CPUC-approved rates for nuclear decommissioning.

5. Other Diablo Canyon CPUC Proceedings

5.1. Amortization of Diablo Canyon Book Value: Under the Joint Proposal, PG&E intends to operate Diablo Canyon to the end of its currently authorized NRC license life, subject to the Unit 2 timing issue discussed in Section 6.2. Consistent with the CPUC cost recovery principles for long-life capital assets, the Parties support full cost recovery of PG&E's investment in and return on Diablo Canyon, fully amortized/depreciated to a zero book value by the end of 2024 for Unit 1 and the end of 2025 for Unit 2, subject to the Unit 2 timing issue discussed in Section 6.2. PG&E will request CPUC approval of this ratemaking approach in the Joint Proposal Application. Parties will not oppose amortization and cost recovery of Diablo Canyon costs in PG&E's 2017 General Rate Case A. 15-09-001. If there is an early shut-down of Diablo Canyon, the Parties reserve all rights to contest cost recovery of or related to any then-remaining unamortized Diablo Canyon net book costs, provided, however, if Unit 2 closes at the end of 2024 due to the timing issue described in Section 6.2, the Parties support full amortization/depreciation to a zero book value for Unit 2 by December 31, 2024.

5.2. License Renewal Costs: PG&E has incurred approximately \$50 million related to the federal and state license renewal processes, including technical and environmental assessments and permitting and licensing costs. With the exception of A4NR, the Parties agree that it was reasonable and prudent for PG&E to conduct the evaluations and incur the costs of

state and federal regulatory review in order to preserve all options, including license renewal, during a period of resource planning uncertainty that resulted in the decision reflected in the Joint Proposal. In the Joint Proposal Application, PG&E will request cost recovery of the license renewal costs. The Parties, with the exception of A4NR, support PG&E's request for full recovery of license renewal costs. A4NR reserves the right to contest recovery of the License Renewal Costs in the Joint Proposal Application.

5.3. Seismic Study Process and Costs: PG&E has been continually engaged in the evaluation of seismic conditions at Diablo Canyon since the start of operations. The decision not to proceed with license renewal does not affect this on-going commitment. Nothing in this agreement shall constrain the Parties from advocacy on issues related to seismic studies. PG&E acknowledges the substantial influence and contribution of A4NR's work in reaching the positions reflected in the Joint Proposal. Because of PG&E's decision not to proceed with license renewal, A4NR agrees to withdraw its pending objections and recommendations regarding PG&E's recovery of costs in the Diablo Canyon Seismic Studies Balancing Account in PG&E's 2013 and 2014 ERRA proceedings.

5.4. Nuclear Decommissioning: PG&E submitted a revised Diablo Canyon decommissioning study on March 1, 2016 in the CPUC Nuclear Decommissioning Triennial Proceeding ("NDCTP"). (CPUC Application 16-03-006) In the 2015 NDCTP, PG&E estimated the cost to decommission Diablo Canyon at \$3.779 billion (2014 \$). The 2015 NDCTP estimate is based on a financial model prepared by TLG Services, Inc. and does not reflect the results of an actual site-specific decommissioning study.

5.4.1. PG&E will prepare a Diablo Canyon site-specific decommissioning study and submit it to the CPUC in an application for approval no later than the date when the

2018 NDCTP will be filed. PG&E will seek authorization from the CPUC in the Joint Proposal Application to disburse funds from the Diablo Canyon decommissioning trust to fund the site specific decommissioning study. The site-specific decommissioning study will update the 2015 NDCTP forecast and incorporate the costs of (i) the Employee Program described in Section 5.3, (ii) the Community Impacts Mitigation Program in Section 4.1, (iii) a plan for expedited post-shut-down transfer of spent fuel to Dry Cask Storage as promptly as is technically feasible using the transfer schedules implemented at the San Onofre Nuclear Generating Station as a benchmark for comparison, and provided PG&E will also provide the plan to the CEC, collaborate with the CEC, and evaluate the CEC's comments and input; and (iv) a plan to continue existing emergency planning activities, including maintenance of the public warning sirens and funding of community and state wide emergency planning functions until the termination of Diablo Canyon's 10 CFR Part 50 license, subject to CPUC approval and funding in decommissioning rates. The Parties will support CPUC approval and funding of these elements of PG&E's revised Diablo Canyon decommissioning study.

5.4.2. The Parties support CPUC approval of PG&E's 2015 NDCTP decommissioning forecast and establishment of the proposed revenue requirement until such time as the CPUC reviews, approves and authorizes cost recovery for the Diablo Canyon site specific decommissioning study. A4NR reserves the right to contest PG&E's forecast and assumptions regarding spent fuel transfer to dry cask storage in the 2015 NDCTP proceeding.

6. Actions at Other Governmental Agencies

6.1. State Lands Commission ("SLC"): PG&E requested that SLC issue new

submerged lands leases for the intake and discharge structures at Diablo Canyon effective from the date of issuance until Diablo Canyon ceases operations under Diablo Canyon’s existing NRC operating licenses in August, 2025. Given PG&E’s decision to retire Diablo Canyon in 2025, the Parties agree to jointly support the granting of the new lease to run coterminous with the existing NRC operating licenses and will submit a joint letter to the SLC to that effect. Given the particular circumstances of this matter, and subject to PG&E’s commitment under the Joint Proposal that PG&E will not seek license renewal and agrees to cease operations at Unit 1 by November 2, 2024 and Unit 2 by August 26, 2025, FOE, NRDC, Environment California, IBEW Local 1245, CUE and A4NR waive any argument that the continuing operations of the plant through August 26, 2025, without any material increase or change in those operations, requires review under the California Environmental Quality Act (“CEQA”). However, A4NR reserves the right to ask the SLC to conduct a discretionary Environmental Impact Report (“EIR”) under CEQA prior to making a decision on the lease extension request. In the event the SLC decides not to perform a discretionary EIR, A4NR waives all rights to appeal the SLC’s decisions in connection with its approval of the short term lease extension.

6.1.1. After PG&E has completed its Diablo Canyon site-specific decommissioning study as specified in Section 5.4.1, PG&E will submit a new and separate lease application to the SLC to allow use of the intake and discharge for the period of time necessary to accommodate decommissioning activities. It is PG&E’s expectation that the SLC’s review of the decommissioning project, in collaboration with the Coastal Commission’s review of any development under the project, will be subject to environmental review under CEQA. Nothing in the Joint Proposal affects the Parties positions regarding CEQA and/or the National Environmental Policy Act (“NEPA”)

compliance regarding the decommissioning process for Diablo Canyon or any other SLC lease extension after August 26, 2025.

6.1.2. If the CPUC rejects the Joint Proposal Application and it or any other entity with the requisite legal authority directs PG&E to pursue Diablo Canyon license renewal at the NRC, PG&E will within 120 days of such final and non-appealable action submit a new lease request to the SLC premised on the change in circumstances which will be fully subject to CEQA and the Parties reserve all rights to contest such application.

6.2. State Water Resources Control Board (“State Water Board”): Given PG&E’s decision to retire Diablo Canyon, the Parties agree that compliance issues under Track 1 and Track 2 of the State Water Board’s Once Through Cooling (“OTC”) policy will have been resolved once the plants cease power generation, on the condition that the resulting water flows associated with decommissioning meet the applicable requirements of the OTC policy. PG&E will continue to pay “interim mitigation” fees through the end of PG&E’s existing NRC operating licenses in 2024 and 2025 as specified under State Water Board Resolution No. 2015-0057. These fees shall be in addition to any other fees PG&E is currently paying or will be required to pay in the future. PG&E will disclose actual intake volume data and any other data requested by the State Water Board to support the agency’s calculation of the appropriate interim mitigation fees. In order to clarify the authority of Diablo Canyon Unit 2 to operate beyond December 31, 2024 under the OTC policy, PG&E will ask the State Water Board for an amendment to the OTC policy to conform the compliance timeline table to the date of actual expiration of the Unit 1 and Unit 2 NRC operating licenses. The amendment, if approved, would confirm that Unit 2 is authorized to operate through August 26, 2025, subject to continued

payment of the interim mitigation during Diablo Canyon Unit 2's 2025 operations. PG&E will implement the Joint Proposal regardless of the State Water Board's decision on the amendment request. The Parties will review the amendment request and reserve the right to oppose it or seek additional conditions. The Parties shall be unconstrained in their ability to comment on the adequacy of the interim mitigation fee amount.

6.3. **NRC License Renewal:** Following final and non-appealable CPUC approval of the Joint Proposal Application, 1) PG&E will withdraw the Diablo Canyon NRC license renewal application and request that the proceeding be terminated with prejudice; 2) the Parties will support the withdrawal and termination of the Diablo Canyon NRC license renewal application; and 3) FOE will withdraw with prejudice the petition at the DC Circuit Court of Appeals and related pending hearing requests and motions in the Diablo Canyon license renewal case (*Friends of the Earth v. U.S. Nuclear Regulatory Commission*, Case No. 16-1004 (D.C. Cir. filed Jan. 8, 2016)).

6.4. **NRC Dry Cask Fuel Storage:** PG&E's current NRC license for its Independent Spent Fuel Storage Installation ("ISFSI") expires in 2024. PG&E expects to file a license renewal application with the NRC for the ISFSI no later than five years prior to expiration of the current license. Parties will not oppose PG&E's NRC application to renew the license for the ISFSI at Diablo Canyon, including any associated state approvals. While A4NR will not oppose continuing use of the ISFSI, A4NR reserves the right to petition and present recommendations to those state agencies whose approval is necessary to the ISFSI license renewal. This section does not restrict in any way the rights of the Parties to take a position on interim storage of spent nuclear fuel as part of the broader national discourse.

GENERAL PROVISIONS

7. Scope and Approval

7.1. The Parties agree that the Joint Proposal is subject to approval by the CPUC and shall be submitted for approval pursuant to Article 12 (Settlements) of the CPUC's Rules of Practice and Procedure. Within thirty days after PG&E's public announcement of the Joint Proposal, PG&E will convene a conference with notice and an opportunity to be heard to all parties as specified under CPUC Rule 12.1(b) for the purpose of discussing the Joint Proposal and inviting parties to comment on and join in a settlement agreement. No later than 30 days after the SLC has approved the new leases for Diablo Canyon as specified in Section 6.1, or as mutually agreed, PG&E shall file the Joint Proposal Application with the CPUC for approval, adoption and implementation of the Joint Proposal and thereafter will complete the process for execution and submission of an associated settlement agreement as specified in CPUC Rule 12. The Parties agree to: (i) support the Joint Proposal Application and the associated settlement agreement and use their best efforts to secure CPUC approval of the Joint Proposal and the associated settlement agreement in its entirety without modification; (ii) recommend that the CPUC approve and adopt this Joint Proposal and the associated settlement agreement in its entirety without change; and (iii) actively and mutually defend the Joint Proposal and the associated settlement agreement and the Joint Proposal Application if opposed by any other party. Unless the CPUC expressly provides otherwise, and except as otherwise expressly provided herein, such adoption does not constitute approval or precedent for any principle or issue in this or any future proceeding, consistent with CPUC Rule 12.5.

7.2. The Parties intend that CPUC adoption of this Joint Proposal will be binding on the Parties. The Parties agree that, if the CPUC fails to adopt this Joint Proposal and the

associated settlement agreement in its entirety and without modification, the Parties shall meet and confer as specified in CPUC Rule 12.4 within fifteen (15) days thereof to discuss whether the Joint Proposal and associated settlement agreement should be renegotiated with alternative terms and resubmitted to the Commission for approval. The Parties agree under such circumstances to bargain in good faith to restore the balance of benefits and burdens under the Joint Proposal. If the Parties cannot mutually agree to resolve the issues raised by the CPUC's actions, the Joint Proposal and the associated settlement agreement may be rescinded by any Party and the Parties shall be released from their obligations under the Joint Proposal. Thereafter, the Parties may pursue any action they deem appropriate.

7.3. In the Joint Proposal Application, PG&E will request that the CPUC issue a final decision approving the Joint Proposal Application no later than December 31, 2017. If the CPUC decision is not issued by December 31, 2017, PG&E, in consultation with the Parties, may delay implementation of the actions related to the procurement of GHG-free energy resources as specified in Section 2, until such CPUC approval becomes final and non-appealable. For any procurement voluntarily undertaken by PG&E prior to the time that the CPUC's approval of the Joint Proposal Application has become final and non-appealable, PG&E may condition the procurement contracts on the approval becoming final and non-appealable. PG&E's obligation to withdraw its license renewal application under Section 1.3 shall not become effective or binding until the CPUC's approval of the Joint Proposal Application has become final and non-appealable.

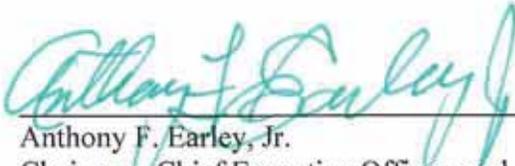
7.4. This Joint Proposal shall be governed by the laws of the State of California as to all matters, including but not limited to, matters of validity, construction, effect, performance, and remedies.

7.5. This Joint Proposal may be executed in separate counterparts by the different Parties hereto with the same effect as if all Parties had signed one and the same document.

The Parties mutually believe that, based on the terms and conditions and reservations of rights stated above, this Joint Proposal is reasonable, consistent with the law, and in the public interest.

The Parties' authorized representatives have duly executed this Joint Proposal on behalf of the Parties they represent.

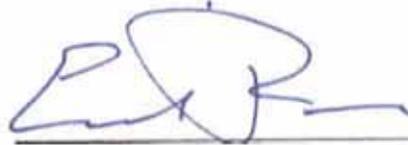
PG&E CORPORATION



Anthony F. Earley, Jr.
Chairman, Chief Executive Officer, and
President

Date: June 20, 2016

FRIENDS OF THE EARTH



Erich Pica
President

Date: June 20, 2016

NATURAL RESOURCES DEFENSE
COUNCIL



Rhea Suh
President

Date: June 20, 2016

ENVIRONMENT CALIFORNIA



Dan Jacobson
Legislative Director

Date: June 20, 2016

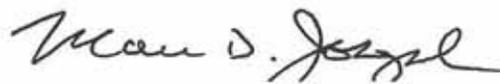
INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS LOCAL 1245



Tom Dalzell
Business Manager

Date: June 20, 2016

COALITION OF CALIFORNIA UTILITY
EMPLOYEES



Marc D. Joseph
Attorney on behalf of Coalition Of California
Utility Employees

Date: June 20, 2016