



California Public Utilities Commission

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News Release

FOR IMMEDIATE RELEASE

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PUC GIVES INTERIM APPROVAL OF STEAM GENERATOR REPLACEMENT FOR PG&E'S DIABLO CANYON PLANT

SAN FRANCISCO, Feb. 24, 2005 – The California Public Utilities Commission (PUC) today approved preliminary findings regarding the cost-effectiveness of the steam generator replacement program proposed by Pacific Gas and Electric Company (PG&E) for its Diablo Canyon Power Plant (DCPP), and related matters.

DCPP is a nuclear power plant consisting of two units, Unit 1 and Unit 2, with a capacity of approximately 2,260 megawatts. It is located in San Luis Obispo County and generates approximately 17,000 gigawatt-hours of electricity each year, or about 20 percent of the electric energy delivered by PG&E in its service territory. Each of the two units has four steam generators. In each steam generator, the heat from water circulated through the reactor is used to turn another stream of water into steam that is used to run the turbines that drive the electric generators.

DCPP is currently licensed by the Nuclear Regulatory Commission to operate until 2024 (Unit 1) and 2025 (Unit 2). PG&E estimates that DCPP will likely be required to shut down because of the degradation of the steam generators in 2013 (Unit 2) and 2014 (Unit 1) if the generators are not replaced. As a result, PG&E is requesting approval for its steam generator replacement program.

The California Environmental Quality Act (CEQA) review of the steam generator replacement program is currently in progress. The Commission will issue a final decision on the steam generator replacement program only after the CEQA review is complete so results of the review can be considered.

Based on the Commission's analysis of the steam generator replacement program, the Commission determined that preliminarily:

- The steam generator replacement program is cost-effective. The expected value of net benefits to ratepayers is \$333 million.

- \$706 million, as adjusted for actual inflation and cost of capital, is a reasonable estimate of the steam generator replacement program cost.
- The Commission does not intend to conduct an after-the-fact reasonableness review if the steam generator replacement program cost does not exceed \$706 million, however the Commission is not precluded from doing so.
- If the steam generator replacement program cost exceeds \$706 million, or the Commission later finds that it has reason to believe the costs may be unreasonable regardless of the amount, the entire steam generator replacement program cost will be subject to a reasonableness review.
- The maximum allowable steam generator replacement program cost (cap) is \$815 million as adjusted for actual inflation and cost of capital. PG&E will not be allowed to recover steam generator replacement program costs in excess of this amount.

By this decision, the Commission does not approve or disapprove the steam generator replacement program, guarantee or approve the recovery of any expenditure related thereto, or prejudge the outcome of the Commission's environmental review. All of these issues will be subject to a final review and final decision once the environmental review is complete.

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