

1 JAMES L. LOPES (No. 63678)
JEFFREY L. SCHAFER (No. 91404)
2 BARBARA GORDON (No. 52424)
HOWARD, RICE, NEMEROVSKI, CANADY,
3 FALK & RABKIN
A Professional Corporation
4 Three Embarcadero Center, 7th Floor
San Francisco, California 94111-4065
5 Telephone: 415/434-1600
Facsimile: 415/217-5910

6
7 Attorneys for Debtor and Debtor in Possession
PACIFIC GAS AND ELECTRIC COMPANY

8
9 UNITED STATES BANKRUPTCY COURT
10 NORTHERN DISTRICT OF CALIFORNIA
11

12 In re

13 PACIFIC GAS AND ELECTRIC
COMPANY, a California corporation,

14 Debtor.
15

16 Federal I.D. No. 94-0742640
17
18

Case No. 01-30923 DM

Chapter 11 Case

Date: January 5, 2004

Time: 1:30 p.m.

Place: 235 Pine Street, 22nd Floor
San Francisco, California

Judge: Hon. Dennis Montali

19 DECLARATION OF LAWRENCE F. WOMACK IN SUPPORT OF DEBTOR'S
20 MOTION FOR ORDER APPROVING EXPENDITURE OF FUNDS TO REPLACE
21 FOUR STEAM GENERATORS AT BOTH UNIT 1 AND 2 OF
22 THE DIABLO CANYON POWER PLANT

23 I, Lawrence F. Womack, declare as follows:

24 1. I am the Vice President of Nuclear Services at Pacific Gas and Electric Company
25 (PG&E), a position I have held since January 1, 1995. I make this Declaration based upon
26 my personal knowledge of the Diablo Canyon Steam Generator Replacement Projects
27 ("DCPP SG Replacement Projects" or "Projects") and upon my review of PG&E's records
28 concerning the matters stated herein. If called as a witness, I could and would testify

BKR701

1 competently to the facts stated herein.

2 2. The implementation and completion of the Projects require that PG&E enter into
3 contractual commitments for and incur multi-year capital expenditures not exceeding \$706
4 million for the design, fabrication, delivery, and installation of replacement steam generators
5 at its Diablo Canyon Power Plant ("DCPP"). The up-to-\$706 million in anticipated
6 expenditures in connection with the Projects will be incurred over a five-plus year period,
7 with a significant amount of such expenditures, estimated at \$486 million, expected to be
8 incurred in the final three years of the Projects, between 2007 and 2009.

9 3. DCPP is a nuclear power plant located in San Luis Obispo County, California.
10 The plant is the largest generating station on the PG&E electric system and provides power
11 for over two million northern and central Californians from its two 1,100 megawatt units.

12 4. The two units at DCPP each have four steam generators ("SGs") which are large
13 U-tube heat exchangers that convert heat carried by the coolant that passes through the
14 reactor vessel into steam to drive the turbine generators and produce electricity. The SGs
15 which are vital generation components, are approaching the end of their useful life.

16 5. The tubing material used in the manufacturing of the SGs has been shown over
17 the years to be susceptible to various forms of age-related degradation. In the mid-1990s,
18 PG&E developed a steam generator strategic program in response to this tubing degradation.
19 While this strategy has been successful in extending operational life, the SGs require
20 replacement within the next five or six years in order to avoid forced outages and the
21 premature shutdown of this critical generating resource.

22 6. PG&E has had a SGs management program since before DCPP commenced
23 operation and, over the years, all industry-recommended programs have been promptly
24 implemented. In the mid-1990's, PG&E developed a strategic plan focused on managing
25 SGs degradation in order to extend the operational life of the SGs. This strategy has been
26 successful in delaying the need for the replacement of the SGs, and together with a program
27 of increased SG inspections, tube sleeving and other remedial actions, PG&E is confident
28 that both DCPP units can continue to operate safely and reliably with the existing SGs until

1 the planned 2008/2009 replacement. Confidence in uninterrupted operations decreases
2 rapidly however if replacement is delayed beyond the current replacement plan.

3 7. The Projects implement managed replacement rather than risking expedited
4 replacement at additional cost in reaction to unanticipated rapid degradation. Currently,
5 almost all operating nuclear units in the United States employing SGs made from the same
6 tubing material have replaced the original SGs or are actively working on replacement
7 projects.

8 8. On December 17, 2003, PG&E's Board of Directors approved capital
9 expenditures in the aggregate amount not to exceed \$706 million, subject to Bankruptcy
10 Court approval, for the DCPG SGs Replacement Projects. This expenditure level is expected
11 to cover the anticipated work supporting the Projects.

12 9. The DCPG SGs Replacement Projects are the lowest cost alternative in addition
13 to being the only viable scenario. While other delayed replacement alternatives were
14 considered, they resulted in substantially increased risk of forced outage, increased
15 maintenance cost, increased risk of early forced shutdown, and higher project costs. The
16 only alternative to the replacement of the SGs is continued operation with the old SGs,
17 which virtually assures early shutdown of DCPG before the expiration of the current
18 operating license in 2021 for Unit 1 and in 2025 for Unit 2.

19 10. The estimated total Projects cost, including escalation, overheads, AFUDC, and
20 related contingencies, is \$706 million and is based on a feasibility study performed by a
21 major engineering firm that provides SG replacement services as well as benchmarking of
22 SG replacement projects at other utilities. Two specialized consulting firms were also used
23 to provide independent cost estimates. The estimated Projects cost is considered to provide
24 high confidence that planned costs will not be exceeded.¹ Generally speaking, the Projects

25
26 ¹The current DCPG decommissioning cost estimate covers the dismantlement of the
27 eight SGs installed in Units 1 and 2. The proposed Projects will result in the addition of a
28 second set of SGs for disposal. The decommissioning cost estimate will be revised, as
necessary, to include the off-site disposal of eight additional SGs. In future CPUC
proceedings, PG&E will request additional funds through customer rates, if necessary, to
(continued . . .)

1 cost is expected to be included in PG&E's cost-of-service ratemaking, subject to approval of
2 the California Public Utility Commission ("CPUC").

3 11. The approval of the CPUC is required for the rate base addition resulting from the
4 DCPG SG Replacement Projects. A special ratemaking application to the CPUC will be
5 necessary based on the proposed 2003-2006 Generation General Rate Case settlement. The
6 CPUC application process normally requires 12-18 months. In order to meet the schedule
7 for the first unit replacement, a contract must be awarded for construction of new SGs by
8 June 2004. Therefore, the application will request that the CPUC issue an interim decision
9 authorizing PG&E to enter into long lead-time component contracts in June 2004 and, in the
10 event that the Projects are not ultimately approved by the CPUC, authorization to fully
11 recover expenditures to the point of decision and any cancellation charges in rates.

12 12. The completion of the DCPG SG Replacement will help avoid emergency
13 shortages resulting from forced outages and improve the long-term reliability of electrical
14 generation in California. In addition, the Projects will insure compliance with the Nuclear
15 Regulatory Commission strict regulatory requirements.

16 I declare under penalty of perjury under the laws of the United States of America that
17 the foregoing is true and correct. Executed this 17th day of December, 2003 at San
18 Francisco, California.



19
20 Lawrence F. Womack

21
22 WD 112103/1-1419905/1116015/v1
23
24
25
26

27 (. . . continued)
28 ensure the continued adequacy of the nuclear decommissioning trusts.