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**UNITED STATES OF AMERICA
BEFORE THE
NUCLEAR REGULATORY COMMISSION**

2002 MAY 21 AM 11:26

OFFICE OF THE SECRETARY
RULEMAKINGS AND
ADJUDICATIONS STAFF

In the Matter of)
)
Pacific Gas and Electric Company.) Docket Nos. 50-275-LT, 50-323-LT
)
Diablo Canyon Power Plant,)
Unit Nos. 1 and 2)

**BRIEF OF THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF PACIFIC GAS AND ELECTRIC COMPANY**

The Official Committee of Unsecured Creditors ("Committee")¹ of Pacific Gas and Electric Company ("PG&E") hereby files this Brief pursuant to the Memorandum and Order issued herein by the Nuclear Regulatory Commission ("Commission") on April 15, 2002. The Commission's Memorandum and Order sought briefs from the applicant and those parties that filed a petition to intervene in this proceeding² on two issues pertaining to PG&E's November 30, 2001, Application seeking authorization for the transfer of operating licenses and conforming license amendments for the Diablo Canyon Power Plant, Units 1 and 2 ("DCPP"). Commission approval of PG&E's Application is necessary to implement the Plan of Reorganization ("PG&E Plan") of PG&E filed on September 20, 2001, as subsequently amended, pursuant to Chapter 11 of the United States Bankruptcy Code. The two issues posed by the Commission are as follow:

¹ The Committee members are Bank of America, N.A., Morgan Guaranty, Merrill Lynch, Pacific Investment Management Company, LLC, the City of Palo Alto, the State of Tennessee, Reliant Energy Services, Inc., Dynegy Power Marketing, Inc., The Davey Tree Surgery Company, P-E Berkeley, Inc., and GWF Power Systems LP. The Committee is the only official committee of creditors appointed in the case. The Committee represents the interests of the approximately 12,000 unsecured creditors of PG&E with total claims of approximately \$8.5 billion. This brief represents the position of the Committee as a whole. Individual Committee members may participate in this proceeding and take positions on certain issues that differ from the position of the Committee as a whole.

² The Committee filed a petition to intervene on February 6, 2002.

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1. What is the Commission's authority under the Atomic Energy Act to approve the proposed license transfers and related license amendments where the current licensee (PG&E) as well as a company engaged solely in transmission activities would not, after the transfer, be engaged in activities at Diablo Canyon requiring a license, yet would remain or become named licensees on the Diablo Canyon licenses?
2. Have recent filings and developments in PG&E's bankruptcy proceeding had any effect on the pending motions to hold this license transfer proceeding in abeyance?

I. Recent Developments In PG&E's Bankruptcy Proceeding

Two plans of reorganization are currently under consideration in the PG&E bankruptcy proceeding: (1) the PG&E Plan, which requires the Commission's approval sought in PG&E's Application; and (2) a plan of reorganization that has been proposed by the California Public Utilities Commission ("CPUC Plan").

The PG&E Plan was filed on September 20, 2001, and has been subsequently amended to address various issues. Importantly, none of the amendments to the PG&E Plan change PG&E's fundamental proposal for the restructuring of its businesses, including the proposed transfer of the Diablo Canyon Power Plant, Units 1 and 2, and thus, the need for Commission approval of PG&E's Application. The PG&E Plan continues to advance through the bankruptcy process. On April 24, 2002, the Bankruptcy Court issued an order approving the disclosure statement for the PG&E Plan, as amended. Approval of the disclosure statement is an important step forward.

The CPUC Plan was filed in the bankruptcy proceeding on April 15, 2002. Bankruptcy Court hearings on the CPUC Plan disclosure statement have begun and are expected to conclude by the end of May or early June 2002.

If the Bankruptcy Court ultimately approves the CPUC Plan disclosure statement, the Committee anticipates that creditors and equity interest holders will have an opportunity to vote simultaneously on approval of either the PG&E Plan or CPUC Plan, neither of the plans, or both

plans of reorganization. The Bankruptcy Court's target date to send out approved forms of disclosure statements and begin the solicitation and voting process on the plans of reorganization is June 17, 2002. Creditor impaired classes who vote in favor of confirmation of both plans will be asked to state their preference for one or the other.

After creditor and equity interest holder voting concludes, approximately 60 days after the solicitation commences, the Bankruptcy Court will, at a date to be set, commence hearings on confirming a plan of reorganization for PG&E. Plan confirmation, which serves as the predicate for PG&E's emergence from bankruptcy, may occur by year-end, but could take longer.

II. The Commission Should Promptly Approve PG&E's Application

Recent developments in the bankruptcy proceeding demonstrate that the Commission should deny motions to hold this license transfer proceeding in abeyance. Given that the PG&E Plan continues to advance through the bankruptcy process, and that the Bankruptcy Court has already approved the PG&E Plan disclosure statement such that the PG&E Plan can be distributed for voting by creditors and equity interest holders, the Committee submits that the Commission should move forward with granting approval on or before July 31, 2002, as requested in PG&E's Application.

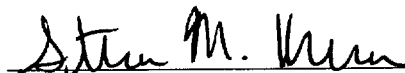
In addition, the Committee requests that the Commission approve PG&E's proposal that the existing DCPD antitrust license conditions be carried forward and that Reorganized PG&E, Electric Generation LLC ("Gen"), and ETrans LLC ("ETrans") become licensees specifically responsible for those conditions, so that, in effect, these three entities are jointly and severally responsible for compliance with the antitrust conditions. PG&E's proposal is consistent with the proposed disaggregation under the PG&E Plan and a settlement stipulation among PG&E, the Northern California Power Agency, and the City of Palo Alto, which provides that the parties'

rights under the Stanislaus Commitments will be unimpaired by PG&E's bankruptcy, and that Reorganized PG&E, Gen and ETrans will be jointly and severally responsible for the Stanislaus Commitments.

Prompt Commission approval of the Application will remove at least one obstacle to implementation of one of the two plans and help facilitate PG&E's emergence from bankruptcy at the earliest date practicable, and thereby further the public interest. PG&E's emergence from bankruptcy will allow PG&E to repay the valid claims of its creditors in full (in cash or through a combination of cash and long-term notes), restructure its debts, and operate as a viable, financially sound business on a going forward basis. PG&E's emergence from bankruptcy will also go a long way toward helping to restore the health of California energy markets, which will benefit energy consumers as well as PG&E and its customers.

WHEREFORE, for the foregoing reasons, the Committee respectfully requests that the Commission deny the pending motions to hold this license transfer proceeding in abeyance and continue to proceed with timely processing and approval of PG&E's Application.

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Dated: May 10, 2002

Certificate of Service

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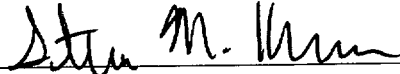
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