



**Pacific Gas and
Electric Company**

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April 12, 2004

PG&E Letter DCL-04-043

U.S. Nuclear Regulatory Commission
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Docket No. 50-275, OL-DPR-80
Docket No. 50-323, OL-DPR-82
Diablo Canyon Units 1 and 2
Notification of Bankruptcy Settlement

Dear Commissioners and Staff:

In an Order dated May 27, 2003, the Nuclear Regulatory Commission (NRC) approved the transfer of the Diablo Canyon Power Plant operating licenses to Electric Generation, LLC and Diablo Canyon, LLC.¹ The transfers approved by the NRC were proposed in connection with a Plan of Reorganization for Pacific Gas and Electric Company (PG&E) filed by PG&E and its parent, PG&E Corporation, then pending in the Bankruptcy Court for the Northern District of California ("Bankruptcy Court"). Pursuant to settlement procedures implemented by the Bankruptcy Court in that proceeding, PG&E, PG&E Corporation, and the staff of the California Public Utilities Commission (CPUC) in June 2003 announced a proposed settlement of the bankruptcy case (the "Settlement Agreement"). Pursuant to the Settlement Agreement, a new plan of reorganization for PG&E (the "Settlement Plan") was filed with the Bankruptcy Court and confirmed in December 2003. The confirmed Settlement Plan does not involve the restructuring or license transfers addressed in the May 27, 2003 NRC Order.

As of April 12, 2004, the Settlement Plan has been implemented and PG&E has emerged from bankruptcy. PG&E remains a vertically integrated electric utility subject to the traditional ratemaking jurisdiction of the CPUC. The NRC's transfer Order by its terms will become null and void if the transfers are not completed by May 31, 2004. PG&E hereby notifies the Commission that it does not intend to complete the transfers in conformance with the Order and will allow the Order to expire.

If you have any questions regarding the Settlement Agreement, please contact me.

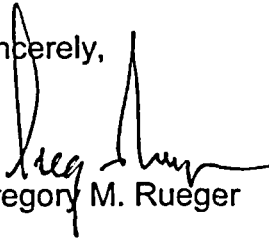
¹ See Pacific Gas and Electric Company (Diablo Canyon Nuclear Power Plant, Units 1 and 2); Order Approving Transfer of Licenses and Conforming Amendments, 68 Fed. Reg. 33,208 (June 3, 2003).

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Sincerely,



Gregory M. Rueger



cc: Edgar Bailey, DHS
Bruce S. Mallett, NRC Region IV
David L. Proulx, NRC Senior Resident Inspector
Girija S. Shukla, NRC
Diablo Distribution