

# PRIORITY 2

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       50-323 Diablo Canyon Nuclear Power Plant, Unit 2, Pacific Ga      05000323  
 AUTH. NAME      AUTHOR AFFILIATION  
 \*      Region 4 (Post 820201)  
 RECIP. NAME      RECIPIENT AFFILIATION

SUBJECT: PNO-IV-94-061: on 941206, until announced agreement on new plan to reduce price of power produced by plant. Licensee continuing to evaluate possible organizational changes to enhance efficiency & effectiveness.

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 TITLE: Preliminary Notification-Occurrence/Non-Routine Event/Safeguards Event

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December 7, 1994

PRELIMINARY NOTIFICATION OF EVENT OR UNUSUAL OCCURRENCE PNO-IV-94-061

This preliminary notification constitutes EARLY notice of events of POSSIBLE safety or public interest significance. The information is as initially received without verification or evaluation, and is basically all that is known by Region IV staff in Arlington, Texas on this date.

Facility

Pacific Gas & Electric Co.  
Diablo Canyon 1 2  
Avila Beach, California  
Dockets: 50-275, 50-323

Licensee Emergency Classification

Notification of Unusual Event  
Alert  
Site Area Emergency  
General Emergency  
X Not Applicable

Subject: REDUCTION OF PRICE FOR POWER PRODUCTION AT DIABLO CANYON

On December 6, 1994, Pacific Gas and Electric Company announced an agreement on a new plan to reduce the price of power produced by Diablo Canyon Nuclear Power Plant. The plan has been approved by the company, Division of Ratepayers Advocates of the California Public Utilities Commission (CPUC), California Attorney General, and a broad group of consumer organizations. It still requires approval by the CPUC. The new agreement would cut the price of Diablo Canyon power by approximately 32 percent during the next 5 years. The new plan only affects the price of power produced by Diablo Canyon.

In 1988, a rate agreement was reached between the CPUC and PG&E which provided that PG&E earnings on power produced by Diablo Canyon would be based on a performance plan rather than a traditional return-on-investment plan. Accordingly, PG&E was paid for the Diablo Canyon electrical output, with penalties and incentives, in exchange for exclusion of the plant's construction costs in the utility's total invested capital rate base. This 1988 plan placed the risk of operating the plant on PG&E shareholders rather than the customers, but lowers the price received for power delivered. The new agreement maintains the concept of placing the risk on the shareholders rather than the customers. PG&E retains the flexibility to reduce Diablo Canyon power prices even further according to future market conditions.

In a separate agreement with an independent power producer, the PG&E will pool resources with Destec Energy, Inc. of Houston, Texas, to sell power directly to the wholesale market using PG&E's transmission network. Destec Energy, Inc. will purchase power from a number of generation sources, pool the power, and sell to wholesale loads through network transmission service provided by PG&E.

The licensee is continuing to evaluate possible organizational changes to enhance their efficiency and effectiveness.

The licensee has indicated that they remain committed to safe, reliable operation of Diablo Canyon.

The state of California has been informed.

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