News Release

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Pacific Gas and Electric Company to Repower Humboldt Bay Power Plant New Power Plant will be 35% More Efficient with 90 % Fewer Air Emissions

EUREKA (CA) – Pacific Gas and Electric Company announced today that it has chosen Wärtsilä North America, Inc. as the successful bidder to repower the existing Humboldt Bay Power Plant (HBPP) with a new, state-of-the-art generation facility. PG&E will own and operate the new 163-megawatt power plant upon completion of construction, expected in mid- 2009.

This new power plant is part of the company's broad energy strategy to meet its customers future power needs in as environmentally responsible a manner as possible. The strategy relies first on an aggressive expansion of customer energy efficiency and demand side management programs, then looks to secure additional renewable power resources, and seeks to fill the remainder of customers' energy needs through traditional, but ever more efficient generation sources, such as the repowered HBPP.

Over the next three years, PG&E expects to provide more than \$1 billion of funding for various energy efficiency programs and customer demand reduction programs that will eliminate the need for construction of more than 1,000 megawatts of new generation facilities. Also, the company continues to increase electricity purchased from renewable energy sources – such as wind, solar and small hydroelectric – at an expected rate of more than 300 megawatts each year to achieve its goal of providing 20 percent of customers' power from state-eligible renewable sources by 2010. The company will also continue to rely on its extensive network of hydroelectric facilities to supply an additional 18 percent of customer electricity needs

The existing generation units at the HBPP are approaching 50 years of reliable operation. The advance of technology and additional efficiencies available through new units created an opportunity for PG&E to cost-effectively construct more efficient and environmentally friendly units.

In early 2005, the company issued a Request for Offers seeking to replace the existing power plant. The modern technology selected will allow the new power plant to provide a flexible and reliable supply of electricity for local residents that will be 35 percent more efficient and produce 90 percent fewer ozone precursors than the existing plant, and eliminate the need for once through ocean cooling utilized by the existing plant. Regulatory approval from the California Public Utilities Commission is required and the project will be permitted through the California Energy Commission. Based on the typical approval and permitting process timelines, the new generation is expected to be available in mid- 2009. The existing HBPP units will continue to be safely operated and maintained until the new capacity is available.

HBPP includes four operating units. Units 1 and 2 with capacities of 52 and 53 megawatts respectively, began operation in 1956 and 1958. Two mobile peaking units

with capacities of 15 megawatts each are also located at the site. All four units will be retired when the new generation becomes available.

For more information about Pacific Gas and Electric Company, please visit the company's web site at <u>www.pge.com</u> News Department 77 Beale Street

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