Diablo Canyon Extension Fund

SB 156 August 2026 Report

August 1, 2026

DEPARTMENT OF WATER RESOURCES

Senate Bill (SB) 846 (Dodd, Chapter 239, Statutes of 2022) preserves the option of continued operations at the 2,240 megawatts (MW) Diablo Canyon Power Plant (DCPP) to improve statewide electric reliability and reduce greenhouse gas (GHG) emissions while additional renewable and zero-carbon resources are built. SB 846 found that actions to extend DCPP's operations for a renewed license term are prudent, cost effective, and in the best interests of all California electricity customers.

SB 846 established the Diablo Canyon Extension Fund and authorized the Department of Water Resources (DWR) to use the fund to enter into a loan agreement with Pacific Gas & Electric Company (PG&E), DCPP's owner and operator. The fund and loan agreement would provide up to $1.4 billion to facilitate the extension of the operating period of DCPP's two nuclear reactors, extending the retirement date for Unit 1 from November 2, 2024, to no later than October 31, 2029, and for Unit 2 from August 26, 2025, to no later than October 31, 2030.

SB 156 (Committee on Budget and Fiscal Review, Chapter 72, Statutes of 2024) added Section 25548.8 to the Public Resources Code, which requires DWR, in consultation with the California Public Utilities Commission (CPUC) and the California Energy Commission, to provide a biannual report, on or before February 1 and August 1 of each year until December 31, 2030, to the relevant budget and policy committees of both houses of the Legislature on the status of the loan authorized from the Diablo Canyon Extension Fund. The following responses are provided to these requirements.

1) **The amount of the loan that has been distributed to the borrower.**

As of July 1, 2026, $1,330,000,000 has been distributed to PG&E.[1] Of this total, $850,896,027 is attributed to costs validated through March 31, 2025, to extend the operations of DCPP, and $300,000,000 is attributed to performance-based disbursements validated through April 30, 2025. The remaining amounts distributed to PG&E are to support approximately $179 million in costs incurred but not yet validated and financial commitments.

[1] The remainder of the loan has been set aside to reimburse DWR for administration costs per Public Resources Code Section 25548.5, subdivision (a)(6), which allows for up to five percent or $70 million.

2) A detailed listing of the eligible uses of the loan that have been allowed, and those that have been deemed disallowed, as part of the required semiannual true-up review, pursuant to Section 25548.4.

Table 1 below provides a listing of eligible uses of the loan that have been allowed, and those that have been deemed disallowed, as part of the required semiannual true-up review. Pursuant to Public Resources Code 25548.4, subdivision (b), costs are disallowed if they do not meet the following criteria: (1) the costs are eligible (*e.g.*, not shareholder dividends); (2) the eligible costs are reasonable; (3) the costs are in the public interest; (4) the CPUC has not authorized rate recovery of the same costs; and (5) other considerations deemed appropriate by the CPUC. The amounts shown in Table 1 include costs incurred through March 31, 2025. During this time period there were no disallowed costs. DWR is currently reviewing costs incurred between April 1, 2025, and March 31, 2026.

Table 1: SB 846 Allowable Loan Proceeds Based on Semiannual True-up Reviews (September 1, 2022 – March 31, 2025)[2]

	[A]	**[B]**	**[C]**	**[D]**
Cost category	**PG&E Submitted Net Costs**	**DWR Disallowed Costs**	**CPUC Disallowed Costs**	**Allowable Loan Proceeds**
				[A] - [B] - [C]
Programs	$34,717,102	$0	$0	$34,717,102
Upgrade Projects	$146,143,801	$0	$0	$146,143,801
License Renewal	$94,637,905	$0	$0	$94,637,905
Operational Enhancements	$259,407,966	$0	$0	$259,407,966
Dry Cask and Fuel	$315,989,252	$0	$0	$315,989,252
Total	**$850,896,027**	**$0**	**$0**	**$850,896,027**

3) The amount of the unpaid loan balance.

As of July 1, 2026, $1,330,000,000 is unpaid, as detailed in response #1.

4) The most recent forecast of the amounts that may be repaid from the loan.

The loan can be repaid by a combination of the U.S. Department of Energy's (DOE's) Civil Nuclear Credit Award and Payment Agreement, excess revenues in

[2] Total value is higher due to rounding.

the final year of operation, and other federal funds. At this point DWR is not able to forecast how much of the loan will be repaid.

The earliest DWR would know how much of the DOE Nuclear Credit Award will be available for repayment is 2027. The current forecast is $741.4 million from the DOE Civil Nuclear Credit Award and Payment Agreement, which may be increased up to the maximum $1.1 billion award. Further, excess operating revenues in the final year of operations may occur after October 31, 2029, for Unit 1 and October 31, 2030, for Unit 2 based on the California Public Utilities Commission's conditionally approved extension date for DCPP operations. At this point DWR does not know if there will be other federal funds available to also offset the loan, which would impact the loan repayment. However, another potential source of repayment is PG&E's claim against the DOE for the DOE's breach of spent fuel contracts and any additional claims for reimbursement that PG&E may have against DOE arising out of or related to spent fuel contracts. The amount of repayment is currently unknown as PG&E will need to negotiate with the DOE.

5) **A detailed listing of efforts to secure federal funding and their status, including, if applicable, the expected date of any awards.**

DOE Civil Nuclear Credit Award and Payment Agreement
Status: Active
Expected date of award: As early as 2027

PG&E claim against DOE related to spent fuel contracts
Status: Active
Expected date of award: Unknown

Nuclear production tax credit
Status: Monitoring for eligibility
Expected date of award: Unknown

6) **The status of the current expected shortfall of funds that may need to be absorbed by the general fund or other sources of funding.**

The loan can be repaid by a combination of the U.S. Department of Energy's (DOE's) Civil Nuclear Credit Award and Payment Agreement, excess revenues in the final year of operation, and other federal funds. At this point DWR is not able to forecast how much of the loan will be repaid and therefore the amount that may need to be absorbed by the General Fund or other sources of funding. See response #4 for additional context on loan repayment opportunities.