



Case Study:



Pacific Gas & Electric

Industry: Nuclear Power Generation:

- Company: [Pacific Gas & Electric's](#) Diablo Canyon Nuclear Station
- Situation: The Nuclear Station was one year from entering a new open-market environment where it would have to compete on price as opposed to the historical Cost-Plus environment that had been in place since the Plant's inception. The senior executive of the Power Generation Division estimated that the annual operating costs would have to be reduced by 40% to be competitive and sustainable. The Leadership Team had been built to assure consistent safe operation in the Cost-Plus market.
- Role: Lead Consultant
- Analysis: There were three aspects of the initial analysis: a plant life-cycle analysis, a function and staffing analysis and a Leadership Team assessment.
- Findings: The plant life-cycle showed that the plant was solidly in the Operate and Maintain portion of its useful life. However, it was still being managed as if it were in the Design phase with constant costly upgrades and additions being made. This led to a functional analysis which showed the necessary functions for the Operate and Maintain phase and the excess functions and staffing of Design Engineering, Purchasing and the use of contractors. The Leadership Team analysis, using a series of Behavior and Value assessments, showed the primary orientation of the team was to maintain the Cost-Plus status quo and continue to "gold-plate" the plant with ongoing upgrades.
- Solution and Result: Following the Plant life-cycle analysis, the client executive prioritized Operations as the primary decision-making department, using safety and reliability as the guiding principles. The Engineering department was down-sized significantly to focus on Operations and Maintenance support. Most contractor usage was eliminated except as supplementary to the onsite Maintenance department. All remaining contracts were competitively bid using highest total value as the selection criteria.

Finally, the leadership team was restructured to reflect the streamlined organization and to achieve a balance of Safety and Operations expertise along with more business and cost-oriented leaders in the support areas. \$200 million of annual operating costs was reduced from a budget of \$500 million.