

Summary

California Public Utilities Commission Public Hearing on the San Onofre Nuclear Power Plant

**October 25, 2012
Irvine, California**

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Chair, San Onofre Task Force
Sierra Club – Angeles Chapter**

PUC discussion of Agenda Item 34 – San Onofre Investigation

The California Public Utilities Commission (PUC) met on October 25 to receive testimony and vote upon an “Order Instituting Investigation (OII) on the Commission’s own motion into the rates, operations, practices, services and facilities of Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E), associated with the San Onofre Nuclear Generating Station Units 2 and 3.”

The Order begins by stating that the investigation “includes determining whether to order the immediate removal effective today of all costs related to San Onofre from the rates of SCE and SDG&E, with placement of those costs in a deferred debit account pending the return of one or both facilities to useful service or other possible action. It also includes considering appropriate rate treatment for all San Onofre-related costs...”

Members of the Commission unanimously approved the Order Instituting Investigation. This was an expected outcome, given that state law requires the Commission to launch an investigation if a power-generating facility has been out of service for nine months.

In an opening statement, Commissioner Michael Florio said the PUC has been in communication with the utilities operating San Onofre, the Nuclear Regulatory Commission, the California Energy Commission and regional agencies regarding grid management since summer 2012.

Florio noted that the PUC oversees utilities' rates and practices while the NRC regulates nuclear technology and plant safety.

Florio listed specific topics that will be on the table during the investigation:

- Whether, when, and to what degree to remove the cost of San Onofre from the rate base.
- Assessment of the whether the utilities acted reasonably and responsibly in handling the shutdown and finding replacement power.
- The role of the manufacturer's warranty and other cost-recovery factors.
- Reasonableness of continued collection of rates after the shutdown, with the possibility of ratepayer refunds.
- Accounting for capital expenditures in repair and future operating costs.

Florio said that within 45 days the utilities will testify on proposed rate adjustments and will be required to show costs related to San Onofre. He added that it may never be safe or economic to restart the plant. In that event, PUC long-range plans will address permanent removal of San Onofre from the supply base. "We have a responsibility to protect utility ratepayers and system users," Florio concluded.

Commissioners did not act on the opening reference in the Order to "immediate removal of San Onofre-related costs" from the rate base. However, PUC President Michael Peevey said that among the possible outcomes of the OII are ratepayer rebates retroactive to January 2012 when the plant was shut down.

In comments following 90 minutes of testimony, Commissioner Timothy Simon said the investigation will "consider evidence to bring clarity to questions surrounding this facility's inoperability." He added that "the OII is to some extent overdue" since the PUC's own Rule 455 requires utilities to report to the Commission when a generating facility is out of

service for 9 months. “Expenses are disallowed after that point,” Simon noted.

Commissioner Catherine Sandoval said the PUC is responsible for “safe, reliable power at reasonable rates.” She distinguished between the NRC’s lead role on safety and the PUC’s lead role on rates and system adequacy. Sandoval said the NRC “has launched an exhaustive investigation,” a point PUC President Peevey picked up in saying, “Our own investigation will be exhaustive.” Florio added that the process could take up to two years but that rate reductions or refunds could occur as early as the first half on 2013.

Sandoval lauded residents of Orange and San Diego counties for getting through the summer without a power outage and said Orange County is most at risk because of its location in the regional system. “Conservation is crucial. We need to share the lessons of experience and spread best practices. This summer we got lucky. Next summer will we get lucky again?” Sandoval added that bringing the Huntington Beach power plant back on line “was essential.”

Commissioner Mark Ferron said the Investigation will cover “the cause of outages, response of the operator, and the future of the plant.” Ferron described San Onofre as “a large facility that costs \$54 million a month” and asked, “Should there be an adjustment to rates to assure that ratepayers are not paying for a non-usable asset?”

Upon conclusion of the above comments from members of the Commission, President Peevey asked for “ayes” and “nays” and declared that Agenda Item 34 calling for the Investigation was adopted unanimously.

The next step is appointment of an administrative law judge by the PUC’s administrative law department, an action that should occur in the week ending November 2nd. Immediately following, a pre-hearing conference date will be set . One of the first items on its agenda will be creation of a Memorandum Account of Expenses claimed by the utility as the basis for the ratepayer subsidy to San Onofre since the plant closed in January.

Statements to the Commission in Support of the Order Initiating Investigation (OII)

Glenn Pascall, Chair, San Onofre Task Force, Sierra Club Angeles Chapter

We commend the Commission for the close look you are taking at the causes of the plant's shutdown and the possible responses. I will focus my remarks on the financial and economic factors impacting a timely resolution of this situation.

San Onofre has been shut since January yet ratepayers have been paying \$54 million a month in charges for the plant – an average \$10 for each household in its service area. The defective system that forced shutdown cost \$771 million yet only \$137 million is recoverable through the manufacturer's warranty.

While these facts are well known, the impact on the public review process is this: If the subsidy continues to cover all operating costs related to the faulty generators, it greatly reduces the incentive for Edison to resolve issues related to the future of the plant.

It is even possible that San Onofre's current economics create a modest profit center for the utility. If so, Edison can wait out almost any scenario of public hearings and investigations into the cause of the unusual radiation leaks as ratepayers reimburse it for the costs of idle nuclear generators.

Ours is a free enterprise economy based on risk and reward. Investor-owned utilities are a special case where rates are set by a public agency to assure a fair return to investors and fair charges to consumers. But this principle is distorted in a situation where no power is being delivered and the utility's management purchased defective technology without adequate warranty coverage - yet rates continue to be imposed.

In such a case, if shareholders are able to shift the cost burden for repairs to the utility's customers, the principle of risk and reward has been violated and ratepayers pay the consequences of management errors.

We urge the Commission to terminate the ratepayer subsidy so the utility is

no longer making decisions while it is artificially insulated from real-world economic conditions.

Gary Headrick, San Clemente Green and affiliated organizations

It is time to cut our losses. Not a penny more to Edison. Our region already has some of the highest power rates inn the state and nation. As for the plant itself, there should be permanent shutdown, not partial restart, of damaged and defective equipment.

At the pre-hearing related to the OII, the following key principles should be observed:

- Shareholders, not ratepayers, should cover repair costs.
- A split shutdown in which one Unit is operating and the other is not, has been shown to be more expensive than a total shutdown.
- Potential future costs of operating the plant should be projected through the entire license period.
- The PUC and the California Energy Commission should accelerate development of plans for quick deployment of alternative energy sources.

Tony Heisman, Laguna Beach City Council

We are feeling powerless about what is going on with our power company. They are continuing to do what they have been doing.

Dr. Stephen Choi, Irvine City Council

Irvine is 22 miles from San Onofre. We are very concerned about the malfunction and potential reactivation, as well as waste disposal.

Steven Neal, Redondo Beach City Council & South Bay Council of Governments

South Bay cities are concerned about energy infrastructure. We support green energy, and more flexibility for city energy planning.

David Lessor, Mayor Pro Tem, Manhattan Beach

Frequent unplanned power outages are having an increasing impact on South Bay cities. We are concerned about Southern California Edison's limited monitoring of its infrastructure and lack of clarity regarding future plans. SCE is unreachable when aging facilities fail. Please insure that our partner is more proactive in maintaining its infrastructure and more forthcoming regarding its capital expenditure plans.

Larry Abrams, Irvine City Council

San Onofre is the nation's most unsafe commercial nuclear plant. The steam generator system is just the latest failure. Southern California passed through a long hot summer without San Onofre. The situation calls for safe, orderly decommissioning of San Onofre followed by safer power.

Martha Sullivan, Del Mar City Council

Del Mar supports the PUC's investigation and opposes restart of Unit 2 at San Onofre until the cause of defects is confirmed. One study has shown that partial restart is more expensive than shutdown of both Units 2 and 3.

Sandy Exelby, San Clemente

We requested an independent audit but got no answer from the PUC. We seek transparency.

Francis Joe Holzmann

San Onofre is not reliable, safe, clean or green. We have sunk \$5 billion into the plant. Imagine how much solar power might have been purchased.

Grace Von Tillo, San Clemente

We customers should not be forced to pay billions for San Onofre retrofit and repair. This is a facility that provides only 23 percent of the power in Southern California. We should invest in wind and solar. San Onofre will not reopen. Both Units are fundamentally flawed. We should push alternatives.

Randy Ziegler, Santa Monica

I was raised with the idea that nuclear energy was cheap and safe. Now we know it is expensive and unsafe – which makes it even more expensive. A quick start-up would be wasteful – and we don't know what to do with the waste.

Michael Schneider, international consultant on nuclear energy

The credit ratings of nuclear energy companies are falling around the world. Credit rating agencies welcomed the German decision to pull the plug on nuclear power.

John Giesman, former chair, California Energy Commission

We paid big money to consultants to give us sound advice and they left us holding the bag. At this point it must be made clear to power utilities that they are playing with shareholders' money.

Rochelle Becker, Alliance for Nuclear Responsibility

The full costs of nuclear power were not properly projected by SCE or the NRC. These include cooling costs, seismic costs and waste storage costs.

Statements of Concern regarding Adequacy of the Regional Power System without San Onofre

Steven Mendoza, Los Alamitos Community Development Director

We are the site of numerous large facilities that need reliable power. What is the replacement plan for San Onofre? Until then, all existing power sources should remain on line.

David Raeder, Break Chamber of Commerce

Nuclear power plays a viable part in a green energy portfolio. How do we replace San Onofre? Safe power, yes. Adequate power, yes.

Frank Lopez, Los Angeles Chamber of Commerce

We are concerned with the lack of input from the business community regarding San Onofre. Safety is the most important issue. Next is the reliability and efficiency of electric power in the region. This is crucial to economic recovery.

Weston Lavar, Long Beach Chamber of Commerce

We need certainty around the energy infrastructure and safe, reliable, affordable electric power. Replacement power for San Onofre was cobbled together last summer. No new facility has been built or planned in the last 25 years.

Jose Perez, Latino Turno

As the PUC makes its investment analysis, consider what if San Onofre is taken away. SCE has been forthright regarding information, and we want to assure maximum public input.

Vicki Fetterman, South Orange County Regional Chamber of Commerce

Electric power requires a practical strategy and long-term plans. SCE and the Nuclear Regulatory Commission have acted with care. The business community must be included in this discussion. A safe, reliable energy supply is crucial. San Onofre has provided greenhouse gas-free energy.

Teresa Harvey, Fullerton Chamber of Commerce

The business community needs a reliable, stable energy supply at reasonable prices. We do not see a replacement source for San Onofre. What will the business community do during a long period of research on San Onofre? What are the costs? Who will pay?

Ruben Carrera, Latino Business Association

Solar and wind power take years to come on line. At that point we will not need San Onofre, but that is in the future. Now, we do need San Onofre.

Gabriel Wellman, Nonprofit Network

San Onofre is important for safe and affordable energy – important to the survival on the non-profit sector.

Steve Adams, businessperson, Laguna Niguel

If San Onofre goes down, we lose our competitive edge in power generation.

Cesar Salveda-Mott, Southeast Regional Development Corporation

Small business depends on reliable, low-cost power. We need San Onofre to come on line. The alternative is excessive poverty in the region.

Francis De Lach, former city manager, San Fernando

We cannot allow ourselves to succumb to fear-mongering myths. San Onofre is the cleanest, safest, most affordable form of energy in Southern California.

Shelly Henderson, small business owner and community newspaper publisher

We depend on reliable energy to stay in business. If we have rolling blackouts, we are out of business.

Thomas Mendoza, Orange County Senior Center

Thanks to SCE for reliable power. Nuclear energy is superior to other forms of production in cost and reliability.

Debbie Newman, Laguna Beach Chamber of Commerce

I believe the NRC and the PUC will pursue their investigations with care. My question is how would the PUC plan to keep electric rates reasonable without San Onofre?

David Engel, Los Angeles County Business Federation

Failure to restart San Onofre will ultimately increase power rates in the region. Nuclear energy is carbon-free and weather-neutral. There is a huge savings in air pollutants. Consider the cost of not having San Onofre.

Albert De Bella, energy facility construction industry

Direct costs and contingency costs for San Onofre were badly misestimated by SCE. This project can be done with the design-build method of construction and finance.

Sam Stolson, IBEW 47

It seems unfair to delay restart and then deny SCE cost recovery. There is no chance of building big new power in Southern California, especially power that has no carbon footprint.