



October 22, 2012

Statement to California Public Utilities Commission

Mr. Chairman and Members,

I am Glenn Pascall. I serve as Chair of the San Onofre Task Force for the Sierra Club's Angeles Chapter, which has 40,000 members in Los Angeles and Orange County.

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 its decisions while it is artificially insulated from real-world economic conditions.

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