

STATE COMMISSION LAUNCHES INVESTIGATION INTO CAUSES OF SAN ONOFRE SHUTDOWN AND FAIRNESS OF ONGOING RATE SURCHARGES
by Glenn Pascall, Chair, San Onofre Task Force

The California Public Utilities Commission (PUC) met on October 25 in Irvine to receive testimony and vote on launching an investigation into the rates charged and practices used by electric utilities operating the San Onofre nuclear power plant.

Commissioners unanimously approved a motion stating that the investigation will include “determining whether to order the immediate removal effective today of all costs related to San Onofre” from the rates charged to customers by Southern California Edison and San Diego Gas & Electric Company. The motion also called for examining the entire range of San Onofre-related costs and charges.

The Commission’s approval of this action was widely expected, given a state law that requires it to launch an investigation if a power-generating facility has been out of service for nine months (San Onofre has been shut down since January).

Florio said specific topics that will be on the table include:

- Whether, when, and to what degree to remove the cost of San Onofre from the rate base.
- Reasonableness of continued collection of rates after the shutdown, with the possibility of ratepayer refunds.
- Whether the utilities acted reasonably and responsibly in handling the shutdown and finding replacement power.
- The role of the manufacturer’s warranty and other factors affecting cost-recovery for the steam generator system that caused the shutdown.

Within 45 days the utilities will be required to show costs related to potential rate adjustments. Florio said 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.

In comments following 90 minutes of public testimony, Commissioner Timothy Simon said the investigation “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.

While the PUC did not order an immediate end to ratepayer surcharges for San Onofre, Commission President Michael Peevey noted that the it has the option of ordering ratepayer refunds retroactive to January 2012, when the plant ceased producing power.

In testimony to the Commission supporting the order initiating an investigation, Glenn Pascall, Chair of the Sierra Club Angeles Chapter Task Force on San Onofre commended the Commission for its actions. Pascall said:

“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.

“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,” Pascall concluded.

Gary Headrick, speaking for San Clemente Green and affiliated organizations, told the Commission, “It is time to cut our losses. Not a

penny more to Edison. As for the plant itself, there should be permanent shutdown, not partial restart, of damaged and defective equipment.”

Headrick said the following key principles should be observed at the initial hearing related to the investigation:

- Shareholders, not ratepayers, should cover repair costs.
- A split shutdown in which one Unit is operating and the other is not, is not a cost saver. In fact, it has been shown to be more expensive than a total shutdown.
- The PUC and the California Energy Commission should accelerate development of plans for quick deployment of alternative energy sources.

A lengthy roster of other witnesses made brief statements. Individual citizens and representatives of cities in the region expressed concern over safety, reliability and cost issues related to restart of San Onofre.

Chamber of Commerce and other business representatives expressed concern regarding the region’s economic dependence on the electric power base and its adequacy without San Onofre, which they described as safe, reliable and affordable despite the events and conditions that created the shutdown and investigation.