

# Diablo Canyon Extended Operations Proposal

*Based on August 24 draft released by Governor's office*

*August 25, 2022*

## **SUMMARY OF SHAREHOLDER INCENTIVES AND RATEPAYER RESPONSIBILITIES**

### \$1.4 billion forgivable loan from the General Fund administered by DWR

- PG&E shareholders receive \$7/MWh in incentive payments (or ~\$300 million between 2023-2025) from taxpayers
- Remaining \$1.1 billion of taxpayer funded-loan used for license renewal costs and costs of operating the plant.
- Any money obtained from the federal government could be used to repay the taxpayer loan. Remaining loan balance would be forgiven by the state

### Fixed management fee of \$100 million/year starting in 2025

- Collected via nonbypassable charge on all customers in CA Investor-Owned Utility service territories (PG&E, SCE, SDG&E, includes all CCAs and Direct Access customers)
- Funds dedicated to PG&E shareholder profits

### Volumetric fee of \$20/MWh for production starting in 2025

- Estimated at ~\$360 million/year based on historic generation levels
- 50% of volumetric fee collected via nonbypassable charge on all customers in CA Investor-Owned Utility service territories (PG&E, SCE, SDG&E, includes all CCAs and Direct Access customers). The other 50% collected from all customers within PG&E's service territory (including CCAs and Direct Access customers).
- Funds dedicated to PG&E shareholder profits

### Ownership/operating costs of Diablo recovered from retail customers

- Collected via nonbypassable charge on all customers in CA Investor-Owned Utility service territories (PG&E, SCE, SDG&E, includes all CCAs and Direct Access customers)
- PG&E exempted from any reasonableness review if it spends no more than 115% of a prior forecast. No limits on the amount of spending PG&E can recover from customers.
- Revenues from power sales credited to offset customer responsibility.

### \$300 million liability protection for PG&E if Diablo suffers extended outages

- Charged to all customers in California Investor-Owned Utility service territories (PG&E, SCE, SDG&E, includes all CCAs and Direct Access customers)
- Provides PG&E with liability protection if mismanagement causes extended outages at Diablo Canyon and requires replacement power costs of up to \$300 million

## **SUMMARY OF RATEPAYER FAIRNESS CONCERNS**

### Ratepayers have paid tens of billions of dollars for Diablo Canyon over the past several decades

- PG&E ratepayers currently pay ~\$1.2 billion/year (excluding nuclear fuel costs) for Diablo Canyon operations.
- Under the shutdown plan approved in CPUC Decision 18-01-022, PG&E was allowed to accelerate rate recovery of all remaining capital costs by 2025, at which point ratepayers will have paid off the “mortgage” for the plant.
- If Diablo Canyon is authorized to operate beyond 2025, the full economic benefits of the plant should flow to ratepayers.

### Annual PG&E profits poised to increase by >3x, total additional profits of ~\$3 billion by 2030

- PG&E currently earns average profits of ~\$150 million/year from Diablo Canyon.
- Under the Governor’s proposal, PG&E profits from Diablo Canyon would rise to \$275 million/year starting in 2023 (~80% increase), \$390 million in 2025 (~260% increase) and ~\$465 million/year starting in 2026 (310% increase)
- Total additional shareholder profits between 2023-2030 of ~\$3 billion paid by taxpayers and electricity customers across the state.
- PG&E shareholders should not receive windfall profits for operating Diablo Canyon.

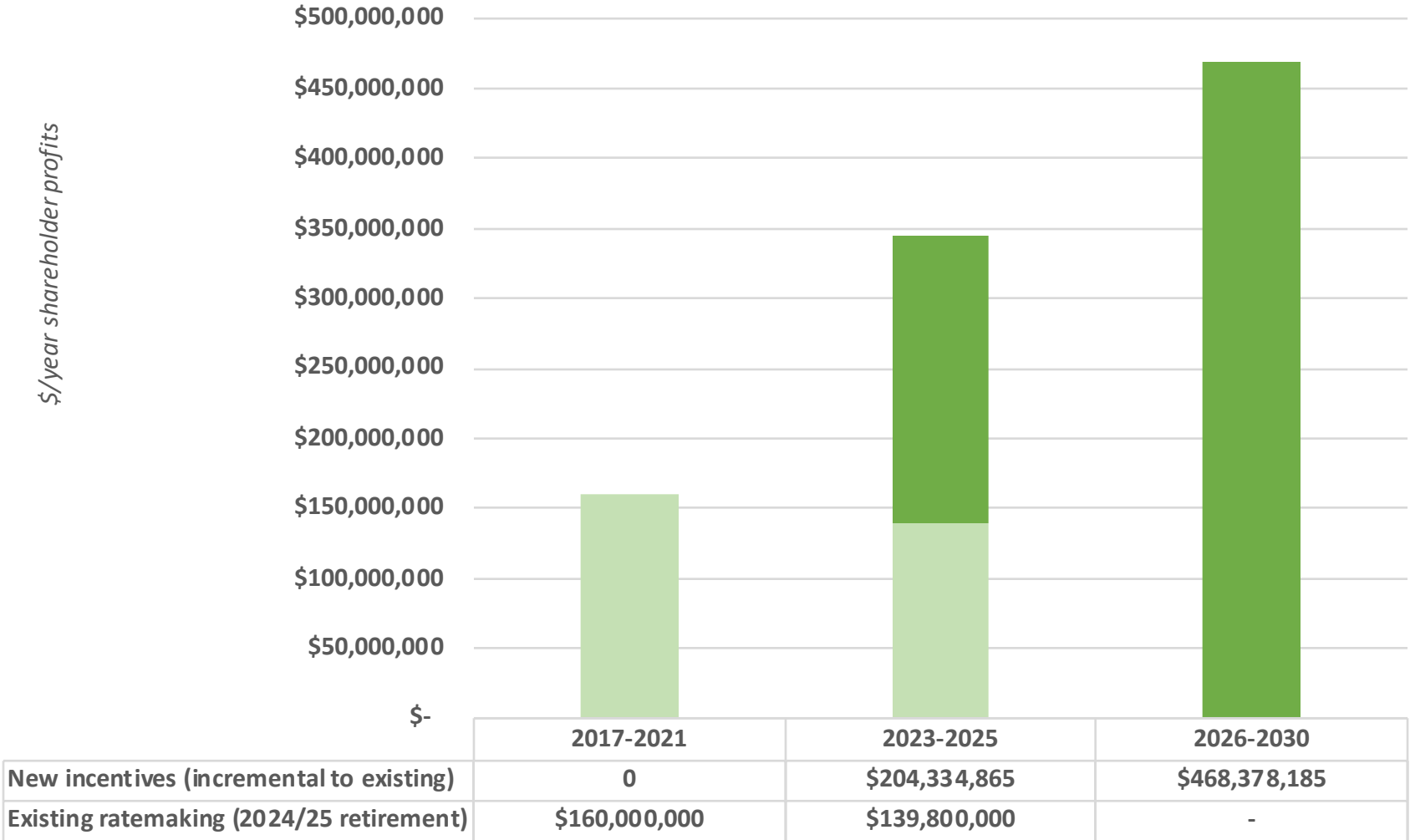
### Actual costs of Diablo Canyon operations would be billed to customers and exempted from meaningful constraints or reasonableness reviews

- Starting in 2025, all ongoing Diablo Canyon costs (capital, operations, fuel, insurance, taxes, pensions/benefits, mitigation fees, fuel storage) would be collected from electricity customers across the state served by Investor-Owned Utilities, Community Choice Aggregators, and Electric Service Providers.
- No mechanisms for constraining costs or limiting the ability of PG&E to recover unlimited spending on Diablo Canyon in electricity rates.
- No forecast of costs has been provided by PG&E or Governor’s Office.
- PG&E should not be given a blank check for unlimited costs that can be charged to customers across the state.

### PG&E shareholders would be unreasonably insulated from liability for the first \$300 million of costs stemming from outages caused by mismanagement

- If Diablo Canyon goes offline for weeks or months due to operational problems attributable to PG&E mismanagement, ratepayers would be required to absorb the first \$300 million of replacement power costs.
- In 2020 and 2021, Diablo Canyon suffered almost 150 days of outages due to operational problems at Unit 2, resulting in replacement power costs of \$179 million. Under current ratemaking, PG&E may be responsible for these costs. Under the Governor’s proposal, ratepayers would be liable for future outage costs even if the outage is caused by PG&E imprudence, mismanagement or negligence.
- Given the extreme profits promised to PG&E under this proposal, its shareholders should be liable for poor performance.

## Annual PG&E shareholder profits for Diablo Canyon Existing retirement plan (2024/25) vs. Governor Newsom proposal



## Cumulative 2023-2030 PG&E shareholder profits for Diablo Canyon Existing retirement plan (2024/2025) vs. Governor Newsom proposal

