TURN
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August 26, 2022
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TURN Concerns About Governor's Proposal to Extend Diablo Canyon Operation

TURN understands that California has an energy reliability crisis.
California families are also facing an energy affordability crisis.

TURN is concerned that the Governor's proposal to extend Diablo Canyon operation is a is a terrible deal that is going to enrich PG&E shareholders at the expense of residential, commercial, and industrial ratepayers across the state and will make the affordability crisis even worse by increasing monthly bills.

Concern that Ratepayer Costs Will Skyrocket.

<u>Fixed management fee of $100 million/year starting in 2025</u>

- 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

<u>Volumetric fee of $20/MWh for production starting in 2025</u>

- Estimated at ~$360 million/year based on historic generation levels
- 50% of volumetric fee collected via nonbypassable charge.
- Funds dedicated to PG&E shareholder profits

<u>Actual costs of Diablo Canyon operations would be billed to customers and exempted from CPUC reasonableness reviews</u>

- 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.

Concern about Windfall Profits for PG&E Shareholders

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

- 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.

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.

Key principles for extending Diablo Canyon that is fair to ratepayers, taxpayers, as well as to shareholders

1) Make affordability equally as important as reliability.

2) No windfall profits for PG&E shareholders. Cap future annual shareholder profits from Diablo Canyon at 2023-2025 levels, which is no more than $140 million.

3) Hold PG&E accountable for mismanagement or negligence if plant goes down. Eliminate shareholder protections for replacement power costs.

4) Preserve the integrity of the CPUC reasonableness review of all of the cost of operating the plant, and retain ex-parte rules for transparency.

5) Protect ratepayers from additional monthly bills due to keeping Diablo Canyon open.

6) Allocate any surplus funds from selling power to offset and reduce ratepayer costs in recognition of tens of billions of dollars already invested in Diablo Canyon.

7) Take the time necessary to understand the consequences of the Governor's proposal and remedies to insure the greatest public benefit financially and as a backup resource.

8) Defer action on who pays and who profits from Diablo Canyon until January to provide the legislature with sufficient time.