

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DOCKET NO.: A.16-08-006

EXHIBIT NO.:

DATE:

WITNESSES: Rochelle Becker
John L. Geesman
David J. Weisman

REBUTTAL TESTIMONY OF
THE ALLIANCE FOR NUCLEAR RESPONSIBILITY
IN
APPLICATION NO. 16-08-006
PACIFIC GAS & ELECTRIC COMPANY
RETIREMENT OF DIABLO CANYON NUCLEAR POWER PLANT

TABLE OF CONTENTS

	<u>Page</u>
Introduction (Becker)	1
Section headings enumerated using conventions specified in Scoping Memo:	
2.3. Proposed Employee Program (Becker)	1
2.4. Proposed Community Impacts Mitigation Program (Becker, Weisman and Geesman)	3
2.5. Recovery of License Renewal Costs (Becker and Geesman)	6

1 **Rebuttal Testimony of the Alliance for Nuclear Responsibility**

2 **Application 16-08-006**

3 **March 17, 2017**

4
5 **Introduction**

6 The Alliance for Nuclear Responsibility (“A4NR”) is an active intervenor and has previously served
7 prepared direct testimony in this proceeding. A4NR joined with certain other parties in executing the Joint
8 Proposal that resulted in the filing of Application 16-08-006 by Pacific Gas & Electric Company.¹ A4NR
9 agreed to most, but not all, of the provisions of the Joint Proposal and, in support of those agreements,
10 provides this rebuttal testimony to address three matters raised in certain portions of the prepared direct
11 testimony served by the Office of Ratepayer Advocates (“ORA”) and The Utility Reform Network (“TURN”)
12 on January 27, 2017. Those matters are as follows:

13 Section 2.3: Proposed Employee Program -- ORA’s recommendation to exclude \$191.6 million of
14 the costs of the proposed program from rates;²

15 Section 2.4: Proposed Community Impacts Mitigation Program – ORA’s recommendation to
16 exclude the costs of the proposed program from rates in their entirety;³ and,

17 Section 2.5: Recovery of License Renewal Costs – TURN’s proposed “limiting factor” of fifty
18 percent (50%) regarding the disallowance of non-AFUDC costs.⁴

19
20 **2.3. Proposed Employee Program**

21 ORA’s witness opposes the rate recovery of certain costs of the employee-retention bonuses
22 proposed in the Joint Proposal.⁵ He first distinguishes between the two periods defining an employee’s
23 eligibility for the bonuses, the first period running from September 1, 2016, through August 31, 2020, and

¹ See Application 16-08-006, Attachment A.

² See *Report on Pacific Gas & Electric Company Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, and Recovery of Associated Costs Through Proposed Ratemaking Mechanisms: Issue 2.3 – Proposed Employee Program; Issue 2.4 – Proposed Community Impacts Mitigation Program; Issue 2.5 – Recovery of License Renewal Costs; Issue 2.6 – Proposed Ratemaking and Cost Allocation Issues*, (“Exhibit ORA-7”), by the Office of Ratepayer Advocates (Witness S. Logan), Application 16-08-006, January 27, 2017, at pp.2 to 4.

³ See Exhibit ORA-7 (Logan), at pp.12 to 14.

⁴ See *Prepared Testimony of The Utility Reform Network, Volume 1 – Testimony of William Perea Marcus Addressing the Proposals of Pacific Gas & Electric Company Related to the Cost of Continued Operation of the Diablo Canyon Power Plant and Cost Recovery for License Renewal Expenditures* (corrected) (“Exhibit TURN-Volume 1”), Application 16-08-006, January 27, 2017, at pp.28 to 34.

⁵ See Exhibit ORA-7 (Logan), at p.4.

1 the second period running from September 1, 2020, through August 31, 2023. The costs of the first period,
2 amounting to \$191.6 million, would be excluded from rates under the ORA witness' recommendation, while
3 the costs of the second period, \$160.5 million, would be recovered through rates as proposed, subject to
4 the exercise of certain management discretion by PG&E in the administration of the program.

5 In considering ORA's recommendation, the Commission should first and foremost consider
6 whether PG&E will be best situated to retain DCNPP's uniquely experienced, qualified and, in some cases,
7 license-bearing personnel in the face of the plant's imminent retirement with or without the proposed
8 retention bonuses. This is no trivial matter. The Commission's Diablo Canyon Independent Safety
9 Committee has raised doubts based on its collective experience that plant employees will remain in place,
10 *despite any offer of financial incentives to employees*. ORA's witness agrees that the purpose of the
11 retention bonuses, namely, to keep as many of DCNPP's current employees as possible in place until the
12 plant's actual retirement, is a legitimate one and concedes its "merit."⁶

13 ORA's witness does not contest the importance of addressing employee attrition through the offer
14 of retention bonuses, but nevertheless proposes to disallow the costs of the bonuses offered for the first
15 period on the ground that ratepayers should bear the costs of the bonuses offered for the second period as
16 a matter of "equitable funding."⁷ This makes little logical sense. If the Commission rejects funding for the
17 program's initial period, DCNPP management will face the increased likelihood of losing more of the current
18 DCNPP workforce between now and September 2020, which is the immediate and most pressing problem
19 the program is designed to address. This will only reduce the success of the second round of retention
20 bonuses ORA's witness agrees should be funded, placing the goal of the entire program in jeopardy.
21 Crippling the launch of the program in the name of "equitably funding" the second stage of the program will
22 only result in undermining the whole program.

23 As previously stated in A4NR's prepared direct testimony, the Joint Proposal's provisions
24 addressing employee retention are expected to contribute to sustaining plant reliability and public safety.
25 The program, in its entirety, is reasonably tailored to address these purposes and should be approved in its
26 entirety so as to assure its effectiveness and efficacy from the point of launch to the termination of DCNPP
27 power operations.

⁶ See Exhibit ORA-7 (Logan), at p.3.

⁷ See Exhibit ORA-7 (Logan), at p.4.

2.4. Community Impacts Mitigation Program

A4NR negotiated and fully supported the original provisions of the Joint Proposal implementing a program to address the fiscal and socioeconomic impacts to the local community that are expected from DCNPP's retirement. A4NR joined in supporting the later version of the program now pending before the Commission.⁸ ORA opposes ratepayer funding for the proposed program in its entirety. ORA's witness claims the program constitutes a tax-related "subsidy," is unprecedented and is unsupported by any decision, provision of law or regulation. A4NR disagrees with his claims for the following reasons.

A4NR's interest in having the Commission support programs addressing the potential fiscal and socioeconomic effects of DCNPP's retirement on nearby communities was prompted by the similar situation posed by the retirement of other domestic nuclear powerplants located in communities geographically and demographically similar to DCNPP's surrounds. Local governments and agencies providing services and benefits to those other powerplants and their employees were adversely affected by the plant closures and forced to address the loss of tax base by which those services and benefits were funded, notwithstanding that the need for those services and benefits continued beyond the cessation of plant operations.⁹ So as to prevent the reoccurrence of this situation in the communities near DCNPP and subject to these same adverse impacts, A4NR broached the subject of legislative solutions aimed at mitigating the effects of a potential retirement of the DCNPP with local legislators. These efforts were successful and resulted in the passage of 2016 Senate Bill 968 (Monning).¹⁰ This legislation clearly establishes, contrary to the assertions of the ORA witness, that it is wholly consistent with the public interest for the Commission to address the "potential actions for the state and local jurisdictions to consider

⁸ See *Joint Motion of Pacific Gas & Electric Company, the County of San Luis Obispo, et al., and Alliance for Nuclear Responsibility for Adoption of Settlement Agreement*, Application 16-08-006, December 28, 2016 ("December 2016 Settlement Agreement"). This later version of the program reflected the better-informed views and more precise insights brought forward by the County of San Luis Obispo, the San Luis Coastal Unified School District, and the Cities of Arroyo Grande, Atascadero, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo as to the nature and extent of the fiscal and socioeconomic impacts DCNPP's retirement would likely have on the local area and public programs. In joining the *December 2016 Settlement Agreement*, A4NR was convinced by and defers to those parties and their superior knowledge on these matters.

⁹ Mullin, John R. and Kotval, Zenia, "The Closing of the Yankee Rowe Nuclear Power Plant: The Impact on a New England Community," *Landscape Architecture & Regional Planning Faculty Publication Series*. Paper 25 (1997); accessible at http://scholarworks.umass.edu/larp_faculty_pubs/25. See also, Cooper, Jonathan G., "The Pilgrim Nuclear Power Station Study: A Socioeconomic Analysis and Closure Transition Guide Book," *Landscape Architecture & Regional Planning Masters Projects*; Paper 76 (2016); accessible at http://scholarworks.umass.edu/larp_ms_projects/76.

¹⁰ *Stats.2016*, Ch.674.

1 in order to mitigate” any adverse socioeconomic and fiscal impacts arising from DCNPP’s retirement.¹¹
2 While a greater range of those methods and impacts will be addressed in a separate, later Commission
3 proceeding, the plain language of the bill’s provisions makes clear that public policy and state law bring
4 programs of the type described by the *December 2016 Settlement Agreement* within the definition of costs
5 that, if approved by the Commission, would result in just and reasonable rates.

6 In adding Section 712.5 to the Public Utilities Code, the Legislature expressly acknowledged that
7 the Joint Proposal was pending the Commission’s approval.¹² In doing so, the Legislature also explicitly
8 distinguished (a) the “*further* information and recommendations” expected from the study compelled under
9 this new statute from (b) the pending proposals to mitigate community impacts included in the Joint
10 Proposal, taking care to indicate that any information and recommendations that might result from the
11 future study were “not intended to interfere with or invalidate the joint proposal.”¹³ These provisions clearly
12 demonstrate the Legislature’s intent to preserve the Commission’s jurisdiction to consider, and approve, the
13 Joint Proposal and each of its constituent parts, *most notably the provisions of the Joint Proposal*
14 *comprising the community impacts mitigation program*. ORA’s claim that state law does not support the
15 approval of the community impacts mitigation program does not address and is wholly inconsistent with the
16 foregoing provisions of state law.

17 Moreover, contrary to the assertions of the ORA witness, the governmental programs and
18 activities, whose continuity would be assured upon the Commission’s approval of the community impacts
19 mitigation program, are directly and/or indirectly related to DCNPP’s current and post-retirement utility
20 operations. As A4NR has said in its direct testimony, an important aspect of these programs and activities
21 is that they address the important public-safety and emergency-planning requirements posed by nuclear
22 power generation and the associated long-term storage of highly radioactive materials at the site. These
23 programs and activities will remain an important priority for local government far into the foreseeable future.
24 Providing for the funding of these programs and activities by Commission order will assure they will be
25 preeminent among other potentially competing public priorities. It is absolutely critical that such programs
26 and activities are never threatened by other local programmatic needs or future situational exigencies that
27 might be faced by any local government or public agency. Similarly, the program proposed by the
28 *December 2016 Settlement Agreement* will assure that the local programs and public amenities enjoyed by

¹¹ Public Utilities Code Section 712.5(a)(1).

¹² *Stats.2016*, Ch.674, Section 2.

¹³ *Ibid.*

1 plant workers, both as PG&E employees and citizens, will be supported for as long as skilled labor is
2 needed to support plant operations and the ensuing decommissioning project. The aging of the national
3 pool of nuclear plant operators means these workers are in high demand in other locations and the
4 Commission should support proposals to assure the DCNPP workforce stays put for as long as they are
5 needed in the San Luis Obispo area.

6 ORA's characterization of the proposed program as a "tax subsidy" inappropriately implies that the
7 program would require PG&E's entire customer base to "subsidize" a discrete set of local agencies in a
8 small portion of PG&E's service territory. Such a complaint ignores the fact that the benefits and burdens
9 of DCNPP's operations have been disproportionately allocated among PG&E constituencies across the
10 plant's entire history. PG&E's entire customer base has received value from the capacity and energy
11 provided by DCNPP. Obversely, it is the local area that has played host to the plant, which undeniably
12 poses risks to the local population that are both unfathomably enormous as well as unique among all of the
13 other risks posed by PG&E's utility operations and non-nuclear assets.

14 The potential risk that a catastrophic event might occur at DCNPP has been identified by PG&E as
15 one of five "enterprise risks" posed by its electric-utility operations and assets – in the emerging utility
16 parlance surrounding this Commission's focus on the risks posed to public safety by utility operations, an
17 "enterprise risk" is one that if it came to pass would threaten the company's very existence. As compared
18 to the other enterprise risks identified and addressed by PG&E's corporate-wide risk-management
19 programs, it cannot be disputed that the potential loss of life and property damage posed by a catastrophic
20 event at DCNPP implicate significantly higher orders of magnitude. Thus, even if the Commission were to
21 consider that a program addressing the unique fiscal and socioeconomic impacts local to a specific area
22 within PG&E's larger service territory might pose a financial burden on customers outside that locality, the
23 Commission should likewise consider that the populations living in close proximity to the plant have borne,
24 are bearing and for the foreseeable future will bear an extraordinarily disproportionate risk to public safety
25 and property damage posed by this singular and unique aspect of PG&E's utility operations. While PG&E
26 may be confident these risks can be managed, images of the consequences of failures experienced at
27 other sites hosting nuclear power plants are vivid reminders of the "costs" borne by the local populace.

28 Placed in proper perspective, the cost burdens of the program spread to the PG&E customer base
29 as proposed in the *December 2016 Settlement Agreement* are almost negligible when compared to the
30 value of the capacity and energy received by customers located outside the boundaries of San Luis Obispo
31 County and equally miniscule compared to the burdens borne by the citizens living within those same

1 boundaries. A4NR can attest the Legislature had this same calculus in mind when it passed 2016 Senate
2 Bill 968 without a single vote being cast in opposition.

3 Neither would it be appropriate to consider the proposed program to represent a form of charity or
4 goodwill payment to the local area.¹⁴ As part of its corporate citizenship initiatives, PG&E makes
5 considerable, unrelated and *additional* charitable contributions to local *nongovernmental* community
6 organizations in the communities surrounding DCNPP. Those contributions are fully charitable in nature,
7 tax-deductible as such, and in fact supported by PG&E's shareholders. A4NR has been given reason to
8 believe that these charitable contributions, separate and apart from the program to mitigate community
9 impacts resulting from DCNPP's retirement, will continue for the foreseeable future. The benefits of these
10 charitable contributions will continue in their own right and are fully distinguishable from the program
11 presented in the *December 2016 Settlement Agreement*. As compared to the charitable contributions
12 received by qualified local *nongovernmental* organizations from PG&E, the program to mitigate local fiscal
13 and socioeconomic impacts arising from DCNPP's retirement will support public benefits provided by and
14 through the official activities of governmental agencies and political subdivisions. More importantly, as
15 explained previously, the enactment of 2016 Senate Bill 968 makes clear that Commission has the
16 authority to address the fiscal and socioeconomic impacts of DCNPP's retirement on local communities.
17 Assuring the provision of governmental and public services directly and indirectly related to DCNPP's
18 operations and location is well within the bounds of costs that can and should be funded by rates.

19 **2.5. Recovery of License Renewal Costs**

20 A4NR in very large part agrees with the testimony provided by TURN's witness Marcus
21 demonstrating that PG&E's license renewal costs were imprudently incurred.¹⁵ A4NR also agrees with
22 what A4NR interprets to be his principal recommendation that the Commission should "authorize no
23 recovery for these costs."¹⁶

24 After articulating the factual and policy grounds demonstrating the imprudence and
25 unreasonableness of the license-renewal costs PG&E seeks to recover, TURN's witness takes an abrupt
26 and unexplained detour from the logical conclusions implicated by his testimony to offer a "sharing

¹⁴ See *Comments of the Office of Ratepayer Advocates and The Utility Reform Network on the Joint Motion of Pacific Gas & Electric Company, et al., for Adoption of Settlement Agreement*, Application 16-08-008, January 27, 2017, at pp.2, 6.

¹⁵ See Exhibit TURN-Volume 1 (Marcus), at pp.28 to 34.

¹⁶ See Exhibit TURN-Volume 1 (Marcus), at p.34.

1 approach.”¹⁷ Rather than disallow the full extent of the recorded costs¹⁸ his testimony establishes to be
2 imprudent, TURN’s witness describes a “limiting principle” under which “ratepayers should bear no more
3 than 50% of the remaining costs (after deducting AFUDC).”¹⁹ After recounting the grounds upon which the
4 Commission would be justified in declaring PG&E’s license renewal costs to be imprudent and unworthy of
5 rate recovery, the witness indicates his “sharing” sentiments would “establish some measure of shareholder
6 responsibility for failed initiative that should have, and could have been avoided.”²⁰ This sharing approach
7 is wholly unexplained by any proffered facts, circumstances, regulatory policies, equities, or lines of
8 reasoning and contradicts the singular implication of the remainder of TURN’s factual and policy testimony,
9 namely, that imprudent costs must be borne by the company and not its customers. Further, there is no
10 “principle” or otherwise discernible magic or justice explaining the selection of fifty percent (50%) as the
11 appropriate share of imprudent costs to be allocated to ratepayers. The TURN witness’ “sharing approach”
12 is simply pulled out of thin air and should be ignored.

13 To the extent TURN’s recommendation might be based on some unspoken notion of “fairness,”
14 such compromises should only be struck if the Commission finds equitable grounds for the sharing of
15 imprudent costs by ratepayers and shareholders. Under the testimony proffered by TURN’s witness,
16 however, A4NR simply cannot imagine how the Commission could explain adopting TURN’s ill-fitted
17 sharing approach. TURN’s witness is essentially asking the Commission to enter findings of fact and
18 conclusions of law that PG&E acted imprudently and incurred unreasonable costs, and then offering that
19 the Commission could also enter an order that customers should bear up to one-half of those imprudent
20 and unreasonable costs. Such an order would be at war with the findings of fact and conclusions of law
21 supported by the bulk of the witness’ testimony.²¹ To avoid this illogical and internally inconsistent result,
22 A4NR’s recommendation, namely, that PG&E’s license-renewal costs should be found to be imprudent and
23 unreasonable and excluded from rates in their entirety, should be adopted. While TURN’s witness is

¹⁷ Exhibit TURN-Volume 1 (Marcus), at p.34.

¹⁸ TURN’s witness recommends that any allowance for funds used during construction (“AFUDC”) should be disallowed in accordance with Commission ratemaking practice and policies associated with abandoned plant that was never used and useful. (See Exhibit TURN-Volume 1 (Marcus), at p.34.) This recommendation is consistent with A4NR’s testimony and recommendation as to the treatment of AFUDC that should be applied in this proceeding.

¹⁹ Exhibit TURN-Volume 1 (Marcus), at p.34.

²⁰ Exhibit TURN-Volume 1 (Marcus), at p.34.

²¹ That testimony is buttressed by A4NR’s and ORA’s testimony establishing the same and additional but similar facts, policies and lines of reasoning demonstrating the imprudence and/or unreasonableness of PG&E’s license-renewal costs.

- 1 certainly free to strike a Solomonic pose in his testimony, the Commission should not forget that the wise
- 2 king never actually did the slightest harm to the child laid before him.