

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company)	
For Approval of the Retirement of Diablo Canyon)	
Power Plant, Implementation of the Joint Proposal)	Application 16-08-006
And Recovery of Associated Costs Through)	(Filed August 11, 2016)
Proposed Ratemaking Mechanisms.)	
(U 39 E))	
_____)	

**ALLIANCE FOR NUCLEAR RESPONSIBILITY'S
PETITION FOR MODIFICATION OF D.18-01-022**

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Date: October 1, 2019

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I. INTRODUCTION.

Pursuant to Rule 16.4 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure and the September 6, 2019 Administrative Law Judges’ Ruling (“ALJ Ruling”) in A.18-12-009, the Alliance for Nuclear Responsibility (“A4NR”) respectfully files this Petition for Modification (“PFM”) of D.18-01-022 and D.19-04-040. The ALJ Ruling denied a motion by Pacific Gas & Electric Company (“PG&E”) to strike A4NR’s prepared testimony in A.18-12-009, PG&E’s 2020 General Rate Case (“GRC”). A4NR contends that the extraordinary above-market costs attributed to the Diablo Canyon Nuclear Power Plant (“DCNPP”), as forecasted by PG&E, under the Power Charge Indifference Adjustment (“PCIA”) methodology adopted in D.18-10-019, and PG&E’s most recent forecasts of its equally extraordinary and precipitous loss of bundled load, are significant changes in material facts since D.18-01-022 was adopted. Under such circumstances, A4NR believes that continuing to incur DCNPP costs which are avoidable – like the DCNPP 2020 – 2022 O&M and capital expenditure budgets – would be unreasonable and inconsistent with just and reasonable rates. Aware of the potential ramifications for continued operation of DCNPP, the ALJ Ruling found:

The scope of this general rate case (GRC) includes determination of the reasonableness of PG&E’s proposed O&M and capital costs relating to the operation of DCNPP from 2020 to 2022. However, we find that issues relating to the proper shutdown or closure date of DCNPP are better raised in a Petition for Modification of D.18-01-022 and thus these issues shall not be considered and addressed in this GRC. Accordingly, this proceeding will assume that DCNPP will continue to operate within this GRC period. Any relevant decision pursuant to a petition to modify D.18-01-022, as described above, shall be incorporated in the decision for this proceeding.¹

¹ A.18-12-009, September 6, 2019 ALJ Ruling, p. 2.

As discussed below, the primary focus of this PFM is D.18-01-022. Out of an abundance of caution, and because PG&E's motion to strike A4NR's testimony in A.18-12-009 argued that Commission determinations in D.19-04-040 are also implicated, this PFM also addresses conforming changes to D.19-04-040 that may be appropriate should the Commission choose to modify D.18-01-022 as requested by A4NR.

Notwithstanding Commission Rule 1.7(a), A4NR asks that the Commission find that seeking modification of both D.18-01-022 and, potentially, D.19-04-040 in the same petition does not conflict with Rule 1.7 because both decisions are so closely interrelated.² Dealing with them together promotes the efficient utilization of Commission resources and those of the parties in both proceedings, as the rationale for modification is based upon the same changes in material facts and circumstances.

II. COMPLIANCE WITH RULE 16.4.(d) and 16.4.(e).

A4NR acknowledges that more than one year has elapsed since D.18-01-022 became effective. However, only the October 19, 2018 adoption of a revised, more transparent PCIA methodology in D.18-10-019 enabled A4NR to propound the data requests³ to PG&E in A.18-12-009 which document the amount of PCIA revenue requirement allocable to DCNPP and the proportion of PG&E service territory load represented by Community Choice Aggregation ("CCA") and Direct Access ("DA"). A4NR utilized these data responses to calculate the extraordinary level of above-market costs attributable to DCNPP under the Commission's methodology. Were it not for the enhanced transparency stemming from D.18-10-019's

² See, e.g., D.17-07-005, p. 1, footnote 1.

³ PG&E's responses to these data requests are attached as Exhibits to the Declaration of John L. Geesman, which is the Appendix to this PFM.

revised PCIA methodology, the magnitude of subsidy DCNPP requires from its dwindling bundled load and its growing departed load would remain obscured in GRC revenue requirements. A4NR could not have discovered this until receiving responses to its GRC data requests between March and September of 2019, nor known that the Commission considers D.18-01-022 a barrier to full litigation in the GRC of avoidable portions of the DCNPP going-forward revenue requirement until the September 6, 2019 ALJ Ruling. With these previously unknown facts now in hand, A4NR submits there is good reason for the Commission to find that the instant PFM is timely pursuant to statute and the Commission's rules.

A4NR is not presently a party to R.16-02-007, the Commission's Integrated Resource Planning proceeding from which D.19-04-040 arose. As noted above, D.19-04-040 is a secondary subject of this PFM and included only to make conforming changes in the event the Commission elects to modify D.18-01-022 as requested by A4NR. To the extent that an unmodified D.19-04-040 were construed (as PG&E suggested in its unsuccessful motion to strike A4NR's testimony in A.18-12-009) to be a barrier to A4NR's ability to contest the reasonableness of avoidable portions of the DCNPP going-forward revenue requirement, A4NR's interest as a ratepayer advocate would be impeded.

A4NR has not sought to participate in R.16-02-007 earlier because it reasonably believed, based on dicta in several Commission decisions, that PG&E's 2020 GRC proceeding was the appropriate proceeding in which to timely apply the knowledge gained from the revised PCIA methodology to challenge avoidable portions of the DCNPP going-forward revenue

requirement. D.18-01-022 itself made expressly clear that approval of “Unit 1 **by** 2024 and Unit 2 **by** 2025”⁴ (emphasis added) would not tie the Commission’s hands in the future:

- the possibility that “the more prudent and conservative approach” could shift in favor of a “shutdown before 2024 and 2025” was specifically acknowledged;
- the increased knowledge “(a)s we gain a clearer picture of future developments” was specifically identified as prompting such a shift;
- the “relative cost of operating Diablo Canyon” was specifically cited as a pertinent example of such clearer picture of future developments;
- PG&E was specifically put on notice: “Because there is a possibility that Diablo Canyon may cease operations earlier than 2024 and 2025, PG&E should prepare for that contingency;” and
- Commission approval of PG&E’s proposed 2024 – 2025 retirement schedule carried the specific caveat: “If in the interim period the facts change in a manner that indicates Diablo Canyon should be retired earlier, the Commission may reconsider this determination.”⁵

D.18-10-019, adopting the revised PCIA methodology, specifically warned against managerial inertia: “Utilities are of course required to manage their portfolios prudently. Imprudent management would justify disallowing recovery of portfolio costs, and could be considered in ERRR or General Rate Case (GRC) proceedings.”⁶ Addressing legacy utility-owned generation (“UOG”) like DCNPP, D.18-10-019 expressly noted, “CalCCA’s concern about ongoing

⁴ D.18-01-022, OP1.

⁵ D.18-01-022, p. 15.

⁶ D.18-10-019, p. 112.

costs for legacy UOG has potential merit, but lacks sufficient record support or an adequately developed test for evaluating such costs....any such analysis must be fact-specific to the plants and spending in question, and is better suited to a GRC evaluating such spending.”⁷ D.19-02-023 deferred consideration of the proper recording of DCNPP capital additions for refueling and going-forward O&M costs to “either the compliance ERRA or the General Rate Case.”⁸

Thus, A4NR rationally interpreted D.18-01-022, D.18-10-019, and D.19-02-023 to infer that PG&E’s GRC was the timeliest and most appropriate proceeding in which to challenge DCNPP going-forward O&M and capital costs, and A4NR prepared its direct showing in A.18-12-009 accordingly. Given the large amounts of avoidable costs at issue, time was (and remains) of the essence to A4NR: as noted in D.19-02-023, any rate adjustments stemming from a decision in the ERRA compliance proceeding would not be reflected in customer rates until 2021⁹ – in contrast to the January 1, 2020 effective date of any decision by the Commission in PG&E’s current GRC.

Nevertheless, A4NR respects the Commission’s authority to determine the appropriate proceeding in which to address particular issues, and the necessity—in terms of efficient utilization of Commission and party resources—of it retaining flexible discretion to do so. If the Commission chooses to grant the PFM, A4NR will file a motion seeking party status in R.16-02-007.

III. JUSTIFICATION FOR RELIEF REQUESTED BY THIS PFM.

As specified below in the wording A4NR is proposing as modifications to D.18-01-022,

⁷ *Id.*, p. 135.

⁸ D.19-02-023, pp. 16 – 17.

⁹ *Id.*, p. 17.

A4NR requests that the Commission order PG&E to demonstrate in its integrated resource plan filed in the 2019 – 2020 cycle of R.16-02-007 that continued operation of DCNPP Unit 1 and Unit 2 in the 2020 – 2025 period is (a) cost-effective for PG&E’s bundled load; (b) consistent with the principles articulated in the Commission’s Procurement Policy Manual for least-cost/best-fit and utility-owned generation; and (c) wholly consistent with Cal. Pub. Util. Code §§ 451 and 454(a). A4NR further requests that PG&E be ordered to establish a memorandum account, effective January 1, 2020, to record the revenue requirement related to all DCNPP going-forward O&M and capital costs approved in A.18-12-009, such amounts to be subject to refund¹⁰ until the Commission enters findings that PG&E has satisfactorily met its burden of proof in R.16-02-007. A4NR also requests conforming modifications be made to D.19-04-040, as identified in the proposed language below.

As elaborated upon in the Declaration of John L. Geesman, included as the Appendix to this PFM, material facts have changed greatly in PG&E’s service territory since PG&E, A4NR and others executed the Joint Proposal to Retire DCNPP (“Joint Proposal”) on June 20, 2016. A primary inducement for retiring DCNPP, namely the projected loss of bundled customer load to CCA/DA load-serving entities, has accelerated to levels that the Joint Proposal (and PG&E’s testimony in A.16-08-006) anticipated would not occur until well past 2025. Additionally, continued reduction in the costs of electricity from solar, wind, and natural gas has rendered DCNPP output economically uncompetitive in the extreme, and PG&E’s application of the PCIA methodology adopted in D.18-10-019 for calculating above-market costs assigned \$410 million

¹⁰ The Commission has utilized the memorandum-account-subject-to-refund instrument when significant doubt arises about the future operation of major facilities and the reasonableness of the costs of such operations (e.g., Aliso Canyon, D 16-03-031; and SONGS 2&3, D.12-11-051).

to DCNPP for 2018; initially forecasted \$523 million for 2019, an amount now projected to be \$1.168 billion; and presently estimates \$1.258 billion in above-market costs for 2020.

These staggering above-market costs cannot be rationalized on the basis of avoided greenhouse gas emissions, since purchasing \$1.168 billion in offsets at the AB 32 May 2019 auction price would acquire more than eight times the annual emissions savings PG&E claims for DCNPP. DCNPP's inability to be flexibly dispatched in response to steep daily load ramps up and down has made grid operations more difficult, and causes increased renewable curtailments as more intermittent solar and wind resources come online. Continuing to incur those DCNPP costs which are avoidable – like the DCNPP 2020 – 2022 O&M and capital expenditure budgets – would be unreasonable and inconsistent with just and reasonable rates. Doing so would needlessly inflict substantial dead-weight losses on a dwindling base of bundled customers and penalize former bundled customers, most of whom are now served by CCAs that foreswear inclusion of nuclear-generated electricity in their portfolios and may be precluded by their charters from doing otherwise.

Under such extraordinarily changed circumstances, the need for and usefulness of the continued output of DCNPP Unit 1 and Unit 2 requires justification by PG&E. The opportunity to avoid significant going-forward DCNPP O&M and capital costs (estimated by PG&E in A.18-12-009 at \$1,039,874,000 in the 2020 – 2022 GRC cycle) compels the Commission's urgent attention. PG&E's inattentiveness to such large savings potential flouts the Commission's declared intent to curb the growth in electric utility revenue requirements to not exceed the growth rate in customer incomes.¹¹ As California's climate strategy gravitates toward an

¹¹ See, e.g., D.19-05-020, p. 20.

electrification of everything, conspicuous adherence to the Commission's affordability objectives is a likely pre-condition to continued public support of such policies.

IV. SPECIFIC WORDING CHANGES SOUGHT.

A. New language in D.18-01-022

Findings of Fact

14. Application of the revised Power Charge Indifference Adjustment (PCIA) methodology adopted in D.18-10-019 provides improved insight into the reasonableness of the relative costs of operating Diablo Canyon through the end of its license period.

15. PG&E has identified significant PCIA charges attributable to Diablo Canyon in 2018, and forecasts even greater PCIA charges attributable to Diablo Canyon in 2019 and 2020.

16. When combined with the accelerated loss of bundled load by PG&E in 2018, 2019, and 2020, the substantial amounts of above-market costs shared by PG&E bundled customers and departed load create significant doubt about the reasonableness of incurring otherwise avoidable costs to continue to operate Diablo Canyon.

17. The magnitude of Diablo Canyon's above-market costs and PG&E's accelerated loss of bundled load are both major changes in material facts and circumstances since the adoption of D.18-01-022.

Conclusions of Law

12. Review of a potential early retirement of Diablo Canyon Unit 1 and/or Unit 2 in the 2019 – 2020 cycle of the IRP proceeding is reasonable, and should be approved.

ORDER

6. Pacific Gas and Electric Company ~~should be prepared~~ is ordered to present scenarios for Diablo Canyon Unit 1 and/or Unit 2 retirement in its resource plan filed in the 2019 – 2020 cycle of the Integrated Resource Planning (R.16-02-007) proceeding that demonstrate ~~no more than a de minimis increase in the GHG emissions of its electric portfolio~~ that continued operation of Unit 1 and/or Unit 2 in each year of the 2020 – 2025 period is (a) cost-effective for PG&E's bundled load; (b) consistent with the principles articulated in the Commission's Procurement Policy Manual for least-cost/best-fit and utility-owned generation; and (c) wholly consistent with Cal. Pub. Util. Code §§ 451 and 454(a). Pacific Gas and Electric Company is further ordered to establish a memorandum account, effective January 1, 2020, to record the revenue requirement related to all Diablo Canyon going-forward O&M and capital costs approved in its 2020 General Rate Case (A.18-12-009), such amounts to be subject to refund until the Commission enters findings that Pacific Gas and Electric Company has satisfactorily met its burden of proof in R.16-02-007.

B. New language in D.19-04-040

Conclusions of Law

25. The Commission should continue to utilize an assumption of 2024 and 2025 for retirement of the Diablo Canyon nuclear units in its GHG analysis for meeting the electric sector emissions targets by 2030. The Commission should order PG&E to present scenarios for Diablo Canyon Unit 1 and/or Unit 2 retirement in its integrated resource plan filed in 2020 that demonstrate that continued operation of Unit 1 and/or Unit 2 in each year of the 2020 – 2025

period is (a) cost-effective for PG&E's bundled load; (b) consistent with the principles articulated in the Commission's Procurement Policy Manual for least-cost/best-fit and utility-owned generation; and (c) wholly consistent with Cal. Pub. Util. Code §§ 451 and 454(a).

26. The Commission should require each LSE serving load within the PG&E territory to explicitly address in its individual IRP beginning in 2020 its plans to replace the energy associated with the 2024 and 2025 retirement of the Diablo Canyon nuclear units. Each individual plan should also detail the LSE's approach to replacing the characteristics of Diablo Canyon output, particularly flexible baseload and/or firm low-emissions energy.

ORDER

12. All entities serving load within the territory of Pacific Gas and Electric Company shall include in each individual integrated resource plan filed beginning in 2020 a section describing its plans to address the retirement of the Diablo Canyon Generation Plant and the characteristics of its energy output, including flexible baseload and/or firm low-emission energy. Pacific Gas and Electric Company is ordered to present scenarios for Diablo Canyon Unit 1 and/or Unit 2 retirement in its integrated resource plan filed in 2020 that demonstrate that continued operation of Unit 1 and/or Unit 2 in each year of the 2020 – 2025 period is (a) cost-effective for PG&E's bundled load; (b) consistent with the principles articulated in the Commission's Procurement Policy Manual for least-cost/best-fit and utility-owned generation; and (c) wholly consistent with Cal. Pub. Util. Code §§ 451 and 454(a). Pacific Gas and Electric Company is further ordered to establish a memorandum account, effective January 1, 2020, to record the revenue requirement related to all Diablo Canyon going-forward O&M and capital

costs approved in its 2020 General Rate Case (A.18-12-009), such amounts to be subject to refund until the Commission enters findings that Pacific Gas and Electric Company has satisfactorily met its burden of proof in this proceeding (R.16-02-007).

V. CONCLUSION.

A4NR is well aware that the Commission sets a high threshold for the modification of its prior decisions, and exercises the authority granted it by Cal. Pub. Util. Code §1708 judiciously in order not to disturb settled expectations. But D.18-01-022 expressly allowed for a fact-based re-evaluation of the appropriate dates for retirement of the DCNPP units.¹² As discussed above, and as supported by the attached Declaration of John L. Geesman, newly available information about DCNPP's above-market costs and PG&E's accelerated loss of bundled load constitute a major change in material facts and circumstances, and create a strong expectation that D.18-01-022 would have been less accepting of PG&E's asserted 2024 and 2025 retirement dates for DCNPP based on those facts and circumstances. D.18-01-022 certainly did not exempt PG&E from the prudent manager standard, or entitle it to incur avoidable going-forward O&M and capital costs without regard for their reasonableness or the justness and reasonableness of resulting rates. The Commission should grant the PFM and determine in the IRP proceeding the extent to which continued deference to PG&E's asserted 2024 and 2025 retirement dates for the DCNPP units can be justified.

Respectfully submitted,

By: /s/ John L. Geesman

¹² D.18-01-022, p. 15.

JOHN L. GEESMAN
DICKSON GEESMAN LLP

Date: October 1, 2019

Attorney for
ALLIANCE FOR NUCLEAR RESPONSIBILITY

APPENDIX

Declaration of John L. Geesman

September 30, 2019

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company)
For Approval of the Retirement of Diablo Canyon)
Power Plant, Implementation of the Joint Proposal) Application 16-08-006
And Recovery of Associated Costs Through) (Filed August 11, 2016)
Proposed Ratemaking Mechanisms.)
(U 39 E))
_____)

Order Instituting Rulemaking to Develop an)
Electricity Integrated Resource Planning)
Framework and to Coordinate and Refine) Rulemaking 16-02-007
Long-Term Procurement Planning Requirements.)
_____)

**DECLARATION OF JOHN L. GEESMAN IN SUPPORT OF
ALLIANCE FOR NUCLEAR RESPONSIBILITY'S
PETITION FOR MODIFICATION OF
D.18-01-022 and D.19-04-040**

JOHN L. GEESMAN

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Date: October 1, 2019

Attorney for
ALLIANCE FOR NUCLEAR RESPONSIBILITY

DECLARATION OF JOHN L. GEESMAN

Under penalty of perjury, I, John L. Geesman declare as follows:

1. My name is John L. Geesman. I am a partner with the law firm Dickson Geesman LLP and provide legal representation and expert witness services to the Alliance for Nuclear Responsibility (“A4NR”) in several proceedings before the California Public Utilities Commission (“Commission” or “CPUC”), including the current General Rate Case (“GRC”) of Pacific Gas and Electric Company (“PG&E”), A.18-12-009. Apart from my work as an attorney, my professional experience has included 19 years (1983 – 2002) as an investment banker specializing in the U.S. bond markets. My financial career came between two separate periods of employment at the California Energy Commission, which included service as Executive Director (1979 – 1983) and as a Commissioner (2002 – 2008). While an Energy Commissioner, I was the presiding member of that Commission’s Electricity Committee, its Renewables Committee, and its Facilities Siting Committee. In my last 10 years as an investment banker (1992 – 2002), I served in part-time positions as Chairman of the Board of Governors of the California Power Exchange, Chairman of the California Managed Risk Medical Insurance Board, President of the Board of Directors of The Utility Reform Network (“TURN”), and Board Member of the California Independent System Operator. I hold a JD degree from the University of California, Berkeley, School of Law (1976) and a BA degree in political science from Yale College (1973).
2. My business address is 1970 Broadway, Suite 1045, Oakland, CA 94612.

3. To reduce repetitiveness, I incorporate herein by reference the entirety of the testimony, dated July 26, 2019, that I prepared for A.18-12-009, PG&E's current GRC, and had served on the A.18-12-009 service list ("Prepared Testimony"). I have attached a true and correct copy of the Prepared Testimony as Exhibit A to this Declaration.

4. As indicated in the Prepared Testimony at page 11, lines 10 – 11, data responses that A4NR received from PG&E in A.18-12-009 identified Power Charge Indifference Adjustment ("PCIA") charges attributable to the Diablo Canyon Nuclear Power Plant ("DCNPP") of \$168 million in 2018 and \$277 million in 2019. I have attached true and correct copies of these two data responses as Exhibit B and Exhibit C to this Declaration.

5. As indicated in the Prepared Testimony at Page 11, lines 12 – 13, data responses that A4NR received from PG&E in A.18-12-009 stated that Community Choice Aggregation ("CCA") and Direct Access ("DA") providers served 41% of the load in PG&E's service territory in 2018 and are forecast to serve 53% in 2019. I have attached true and correct copies of these two data responses as Exhibit D and Exhibit E to this Declaration.

6. As indicated in the Prepared Testimony at Page 11, lines 13 – 15, I determined that the Commission-adopted PCIA methodology would assign \$410 million (168 divided by .41) in above-market costs to DCNPP in 2018 and forecast \$523 million (277 divided by .53) in DCNPP above-market costs in 2019.

7. A more recent data response that A4NR received from PG&E in A.18-12-009 (after the Prepared Testimony in Exhibit A had been served) revised PG&E's forecast of 2019 PCIA charges

attributable to DCNPP to \$619 million, an increase from the earlier forecast of \$277 million. I have attached a true and correct copy of this data response as Exhibit F to this Declaration.

8. Because Exhibit F was a response to an A4NR data request identically worded, in pertinent part, to that which produced Exhibit E, I have interpreted it as a knowing revision by PG&E of its forecast of 2019 PCIA charges attributable to DCNPP. Accordingly, I have recalculated the estimate of 2019 DCNPP above-market costs as \$1.168 billion (619 divided by .53). As a result, the Prepared Testimony in Exhibit A is significantly understated in its discussion of the implications of 2019 DCNPP above-market costs.

9. A data response that A4NR received from PG&E in A.18-12-009 (after the Prepared Testimony in Exhibit A had been served) forecasts that CCA and DA providers will serve 57% of the load in PG&E's service territory in 2020. I have attached a true and correct copy of this data response as Exhibit G to this Declaration.

10. The PG&E data response in Exhibit F forecasts \$717 million in 2020 PCIA charges attributable to DCNPP. Using the same approach applied to 2018 and 2019, I have determined that the Commission-adopted PCIA methodology would forecast \$1.258 billion (717 divided by .57) in DCNPP above-market costs in 2020.

11. The post-Prepared Testimony estimate of 2020 DCNPP above-market costs described in ¶10 above, when combined with the post-Prepared Testimony revised estimate of 2019 DCNPP above-market costs discussed in ¶8 above, increases the probability that proper evaluation by PG&E will indicate that DCNPP has exceeded its economic useful life.

12. Notwithstanding the DCNPP above-market costs identified by application of the Commission-approved PCIA methodology, or the growth of CCA/DA load within PG&E's service territory from 18% in 2017 to a projected 57% in 2020, data responses that A4NR received from PG&E in A.18-12-009 document PG&E's refusal to update the assumptions it used in A.16-08-006 for the 2019 – 2022 period. I have attached true and correct copies of these four data responses as Exhibit H, Exhibit I, Exhibit J, and Exhibit K to this Declaration.

Under penalty of perjury, I declare that the foregoing statements of fact are true and correct to the best of my information, knowledge, and belief, and that the statements of opinion expressed above are based on my best professional judgment.

/s/John L. Geesman

Executed in Bodega Bay, California on September 30, 2019

EXHIBIT A

July 26, 2019 Prepared Testimony
of John Geesman in A.18-12-009

1 DOCKET NO.: A.18-12-009
2 EXHIBIT NO.: A4NR-1
3 DATE:
4 WITNESS: John Geesman
5

6 **BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

7
8 **PREPARED TESTIMONY OF JOHN GEESMAN**
9 **ON BEHALF OF THE ALLIANCE FOR NUCLEAR RESPONSIBILITY**
10 **("A4NR")**
11

12
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22

1 **I. INTRODUCTION.**

2

3 Q01: Please state your name and business address for the record.

4 A01: My name is John Geesman, and my business address is: Dickson Geesman LLP, 1970
5 Broadway, Suite 1070, Oakland, CA 94612.

6 Q02: Are your professional qualifications included in your testimony?

7 A02: Yes, my professional qualifications are contained as Appendix A to my testimony.

8 Q03: Was your testimony prepared by you or under your direction?

9 A03: Yes, it was.

10 Q04: Insofar as your testimony contains material that is factual in nature, do you believe it to
11 be correct?

12 A04: Yes, I do.

13 Q05: Insofar as your testimony contains matters of opinion or judgment, does it represent
14 your best judgment?

15 A05: Yes, it does.

16 Q06: Does this written submittal complete your prepared testimony and professional
17 qualifications?

18 A06: Yes, it does.

19

20 **II. SUMMARY OF TESTIMONY.**

21

22 Q07: What is the purpose of your testimony?

1 A07: The purpose of my testimony is to provide evidence in support of A4NR’s challenge to
2 the reasonableness of certain portions of PG&E’s proposed revenue requirements for the 2020-
3 2022 rate cycle related to the Diablo Canyon Nuclear Power Plant (“DCNPP”).

4 Q08: How would you summarize your testimony?

5 A08: Conditions have changed greatly in PG&E’s service territory since PG&E, A4NR and
6 others executed the Joint Proposal to Retire DCNPP (“Joint Proposal”) on June 20, 2016. A
7 primary inducement for retiring DCNPP, the projected loss of bundled customer load to
8 Community Choice Aggregation (“CCA”) and Direct Access (“DA”), has now progressed to levels
9 that the Joint Proposal anticipated would not occur until 2025. Continued reduction in the
10 costs of electricity from solar, wind, and natural gas has rendered DCNPP output economically
11 uncompetitive, and the Power Charge Indifference Adjustment (“PCIA”) methodology adopted
12 in D.18-10-019 for calculating above-market costs assigned \$410 million to DCNPP for 2018 and
13 projects \$523 million for 2019. Nor can PG&E rationalize these above-market costs on the basis
14 of avoided greenhouse gas emissions, since purchasing \$523 million in offsets at the AB 32
15 auction price would more than quadruple the annual emissions savings PG&E claims for DCNPP.
16 DCNPP’s inability to be flexibly dispatched in response to steep daily load ramps up and down
17 has made grid operations more difficult, and increased renewable curtailments as more
18 intermittent solar and wind resources come online. Continuing to incur DCNPP costs which are
19 avoidable – like the DCNPP 2020-2022 O&M and Capital expenditure budgets – would be
20 unreasonable and inconsistent with just and reasonable rates. Doing so in the 2020-2022 rate
21 cycle would inflict substantial above-market costs on a dwindling base of bundled customers
22 and unnecessarily penalize former bundled customers, most of whom are now served by CCAs

1 that foreswear inclusion of nuclear-generated electricity in their portfolios and may be
2 precluded by their charters from doing otherwise. PG&E’s wildfire culpability has intensified a
3 search for additional headroom within existing rates from which to fund fire-hardening
4 improvements to its transmission and distribution system. Past precedent would enable an
5 accelerated return of (and reduced return on) DCNPP undepreciated investment in order to
6 recycle such capital to higher priority uses without impacting current rates. Recognition of
7 DCNPP’s status as a stranded asset on which further expenditures (other than
8 decommissioning) cannot be rationalized is the first step toward accomplishing such recycling.

9

10 **III. CONDITIONS HAVE MATERIALLY CHANGED.**

11

12 Q09: Can you please elaborate on how conditions have changed since the Joint Proposal was
13 executed three years ago?

14 A09: Yes. PG&E’s Opening Brief in A.16-08-006, the proceeding initiated by the Joint
15 Proposal, summarized the underlying rationale for DCNPP’s retirement:

16 First, the electricity needs of PG&E’s bundled customers is decreasing
17 significantly. Ongoing and aggressive EE polices are projected to reduce overall electric
18 consumption, as evidenced by the mandate in SB 350 to double the amount of EE by
19 2030. Customers are also expected to increase the amount of electricity generated
20 through DG, especially privately-owned solar resources. In addition, PG&E’s bundled
21 customer base is likely to significantly decrease as many households and businesses buy
22 their generation from alternate providers, either through DA or CCA. There is a clear
23 downward trend on customer sales that is reducing the need for Diablo Canyon after
24 expiration of its licenses.

25 Second, California’s energy policy is focused on reducing GHG emissions by
26 advancing preferred resources, such as renewable resources, distributed energy
27 resources (primarily rooftop solar), energy storage, CHP, energy efficiency and demand

1 response programs. California’s energy policies prioritize these types of resources over
2 other available options, including nuclear power. This clear policy preference displaces
3 the need for a significant portion of Diablo Canyon’s generation.

4 Third, as the electric grid in California continues to evolve, so too will the
5 character of resources needed to operate the California electric system reliably. Given
6 California’s energy goals that require reliance on renewables – at least 50 percent by
7 2030—the system will need more flexible resources and less non-renewable, base-load
8 generation. Diablo Canyon is not a good fit under these circumstances. In fact,
9 retirement of Diablo Canyon in 2025 will help reduce the amount of renewable
10 resources expected to be curtailed during overgeneration conditions.¹

11
12 The cornerstone of this rationale, the anticipated significant decrease in PG&E’s bundled
13 customer base, has accelerated beyond the A.16-08-006 expectation. Prior to filing A.16-08-
14 006, PG&E conducted an extensive analysis of the cumulative impacts of state policy changes
15 on bundled customer demand and future supply needs, concluding, “These forecasts show that
16 a substantial portion of DCP’s energy is anticipated not to be needed to serve PG&E’s bundled
17 electric customers beyond 2025.”² The forecasts were “anchored” by a Reference Case and
18 included both Low Load and High Load scenarios. While PG&E’s bundled sales comprised 82%
19 of its service territory load in 2017, PG&E projected this proportion to decline by 2025 to 56% in
20 the Reference Case, 63% in the High Load scenario, and 44% in the Low Load scenario.³ PG&E’s
21 forecasts anticipated continued erosion of bundled customer base thereafter, envisioning
22 decline by 2030 to 54% of service territory load in the Reference Case, 62% in the High Load
23 scenario, and 42% in the Low Load scenario.⁴

24 PG&E’s responses to data requests by A4NR in this proceeding establish that current
25 erosion of its bundled customer base – now estimated at 47% of service territory load in 2019⁵

¹ A.16-08-006, PG&E Opening Brief, pp. 17 – 18.

² *Id.*, p. 12.

³ *Id.*, p. 13, citing A.16-08-006 Ex. PG&E-1 at p. 2-10, Table 2-2 (Frazier-Hampton).

⁴ *Id.*

⁵ GRC-2020-Phi_DR_A4NR_002-Q08.

1 -- already exceeds the level projected for 2025 which formed the empirical underpinning of the
2 Joint Proposal and A.16-08-006. In fact, 47% represents a greater decay in bundled customer
3 load than any of PG&E's A.16-08-006 scenarios, even for 2030, except Low Load (and, notably,
4 the Low Load scenario was already the most unfavorable for DCNPP). And PG&E's April 2018
5 projections made for the Commission's PCIA rulemaking, R.17-06-026, anticipated a
6 continuation of this trend: bundled customers would diminish to 45% of service territory load in
7 2020; 44% of service territory load in 2021; and 42% of service territory load in 2022.⁶ The
8 projected 45% bundled customer level for 2020 has been reaffirmed by the January 29, 2019
9 declaration of Fong Wan, PG&E's Senior Vice President of Energy Policy and Procurement, in
10 the PG&E bankruptcy filing.⁷

11 PG&E was unequivocal about the significance of its analysis in A.16-08-006: "by 2025
12 and in 2030 only about 50% of DCCP's energy output is needed. In the Low Load scenario the
13 need for DCCP drops to 26% of the plant's output ..."⁸ In PG&E's assessment, "the growth of EE
14 [energy efficiency], DG [distributed generation] and CCA/DA combined with the policy priority
15 for preferred resources squeezes out the need for DCCP's energy in 2025 and 2030 under the
16 Reference Case."⁹ In response to data requests from A4NR, PG&E declined to provide any
17 update of its A.16-08-006 assumptions for the 2019 – 2022 period.¹⁰ PG&E's responses to six

⁶ R.17-06-026, Ex. IOU-1, p. 1-17, Table 1-2, citing "current internal load forecasts."

⁷ Case No. 19-03003, U.S. Bankruptcy Court, Northern District of California, San Francisco Division, Document No. 3, ¶ 21.

⁸ A.16-08-006, PG&E Opening Brief, p. 15.

⁹ *Id.*

¹⁰ GRC-2020-Phi_DR_A4NR_002-Q09, GRC-2020-Phi_DR_A4NR_002-Q10, GRC-2020-Phi_DR_A4NR_002-Q11, and GRC-2020-Phi_DR_A4NR_002-Q12.

1 data requests from TURN articulated the following rationale for not evaluating a permanent
2 shutdown of Unit 2 at the time of its September 2019 refueling outage:

3 PG&E did not consider this option because PG&E agreed in a Joint Proposal filed with
4 the California Public Utilities Commission August 11, 2016, to shut down Diablo Canyon
5 Unit 1 and Unit 2 at the expiration of the current operating licenses in 2024 and 2025,
6 respectively. The CPUC approved the Joint Proposal in D.18-01-022 and the California
7 legislature endorsed those shutdown dates for the Diablo Canyon units when it enacted
8 Senate Bill 1090.¹¹

9
10 PG&E’s explanation requires a material misreading of D.18-01-022. Ordering Paragraph
11 1 and Conclusion of Law 1 are unambiguous in characterizing 2024 and 2025 as outer limits (see
12 footnote 32 on page 14 below), notwithstanding PG&E’s declaration in the Joint Proposal that it
13 intends to operate DCNPP “to the end of its current NRC operating licenses.”¹² And SB 1090,
14 enacted after D.18-01-022, makes no reference to specific shutdown dates or years.

15
16 As noted in Mr. Wan’s declaration to the bankruptcy court, PG&E also anticipates a
17 greater future loss of bundled load to Direct Access than could have been foreseen in the 2016
18 Joint Proposal and A.16-08-006:

19 while DA load has remained relatively consistent since 2015, new legislation passed in
20 2018 requires the CPUC to increase the current DA cap by 4,000 GWh statewide,
21 apportioned among investor-owned utility (“IOU”) service territories, including those of
22 the Debtors, by June 1, 2019. While the CPUC has not yet implemented this statute, the
23 Debtors expect that the DA load in its service area will grow when it does.¹³

24

¹¹ GRC-2020-Phi_DR_TURN_064-Q02. Except for the phrase, “PG&E did not consider this option because”, PG&E used the same quoted language in GRC-2020-Phi_DR_TURN_064-Q03, GRC-2020-Phi_DR_TURN_064-Q04, GRC-2020-Phi_DR_TURN_064-Q05, GRC-2020-Phi_DR_TURN_064-Q06, and GRC-2020-Phi_DR_TURN_064-Q07.

¹² A.16-08-006, Attachment A to Application of PG&E, Sections 1.2. See also Section 5.1., which uses the phrase, “to the end of its currently authorized NRC license life.”

¹³Case No. 19-03003, U.S. Bankruptcy Court, Northern District of California, San Francisco Division, Document No. 3, ¶ 19.

1 Similar to its outdated projections of retained bundled customer load, PG&E's system
2 planning explanation in A.16-08-006 for the DCNPP retirement decision has been buffeted by
3 headwinds of change. As the utility previously reasoned,

4 As the electric grid and CAISO system resource mix continues to evolve, so too will the
5 character of resources needed to operate the grid reliably. Given the 50% RPS by 2030
6 policy goal, the electric system will need more flexible resources while the need for
7 baseload electricity supply will decrease. By 2030, Diablo Canyon's baseload generating
8 profile does not fit the hourly demand profile associated with PG&E's bundled
9 customers. Figure 2-5 shows the percent of DCPD generation that would be needed by
10 PG&E's bundled customers by hour for each season in 2030. Overall, the need for
11 DCPD's generation is significantly below 100 percent on average in almost all hours.
12 Winter and Fall have the highest need for Diablo Canyon due to higher loads and
13 reduced solar generation, while Spring and Summer have the lowest average
14 need for Diablo Canyon generation. Figure 2-5 reinforces the conclusion that the
15 generation needed for bundled customers in 2030 will need to be flexible throughout
16 the day.¹⁴

17
18 But SB 100, enacted in 2018, moved the 50% renewables target to 2026 from 2030 (and
19 set the 2030 target at 60%). And, the accelerating presence of renewables on the CAISO grid
20 has already exceeded prior expectations. 1,708 MW of utility-scale renewable capacity was
21 brought online in California between July 2017 and December 2018, and the California Energy
22 Commission noted in its 2018 Integrated Energy Policy Report Update:

23 As Clyde Loutan with the California ISO reported at the June 20, 2018, IEPR workshop
24 on Renewable Integration and Electric System Flexibility, ramps and minimum loads are
25 four years ahead of the California ISO's original estimates, largely due to the rapid
26 growth in renewable generation. (footnote omitted) Maximum monthly three-hour
27 ramps between January and April 2018 substantially exceeded projections from the
28 prior year in two of the four months ...

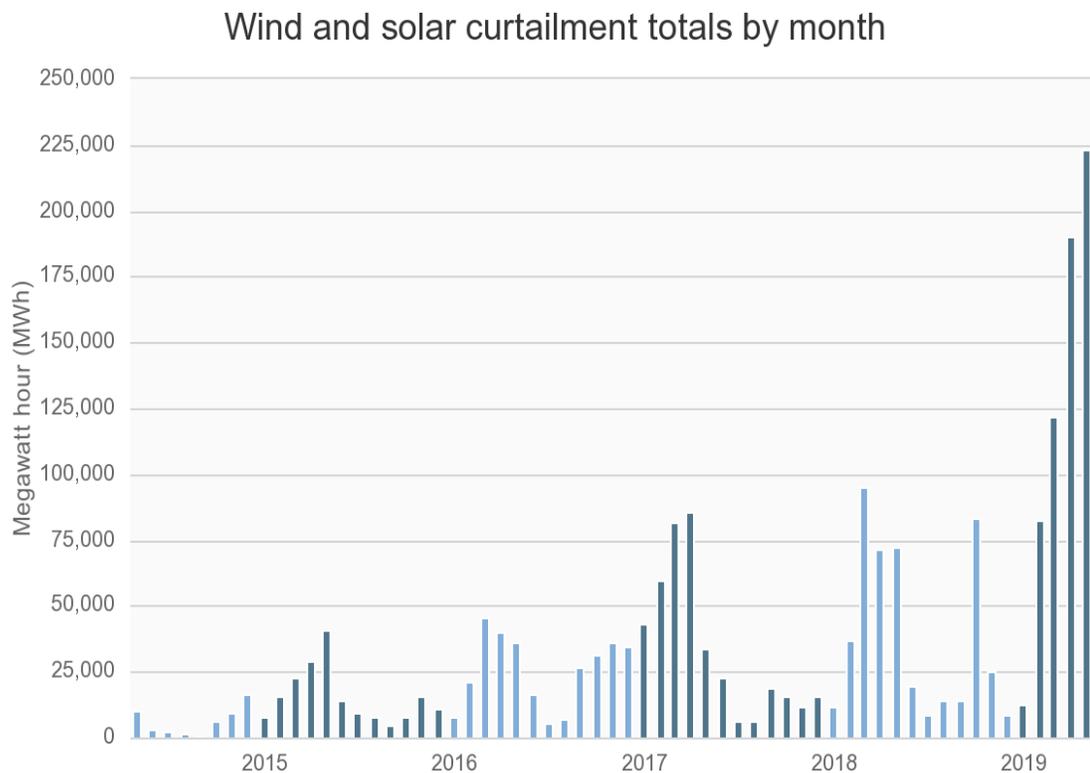
29
30 Managing increasing one- and three-hour upward ramps requires sufficient dispatchable
31 generation, storage, and demand response capacity capable of starting and ramping up
32 quickly. Minimum net loads are falling more quickly than expected, according to Mr.
33 Loutan....

34

¹⁴ A.16-08-006, PG&E Opening Brief, p. 16.

1 The drop in minimum net loads contributes to negative market prices and renewable
 2 curtailment. Compared to 2016, renewable curtailment and the number of hours with
 3 negative prices in the California ISO increased substantially in the first five months of
 4 2017. This increase was due to renewable additions and an increase in hydro generation
 5 serving the California ISO from 6,400 GWh in 2016 to more than 10,600 GWh in 2017.
 6 (footnote omitted) In 2018, hydro generation returned to 2016 levels (6,700 GWh),
 7 which contributed to a reduction in the frequency of negative prices in the first four
 8 months of 2018 ... Renewable curtailment is greatest in the spring. Curtailment
 9 remained at 2017 levels in the first five months of 2018, exceeding those levels in April
 10 and May.¹⁵

11
 12
 13 The increase in wind and solar curtailments since the 2016 Joint Proposal and A.16-08-
 14 006, (2019 is recorded only through May), is vividly displayed on this graph downloaded from
 15 the CAISO website¹⁶ on July 2, 2019:



16

¹⁵ CEC, 2018 Integrated Energy Policy Report Update, p. 93.

¹⁶ <http://www.caiso.com/informed/Pages/ManagingOversupply.aspx#dailyCurtailment>

1 The rapid growth in CCAs within PG&E’s service territory has also been correlated with a
2 distinct lack of customer appetite for nuclear-generated electricity. A4NR’s review of websites
3 and power content labels found none of the CCAs in PG&E’s service territory include nuclear-
4 generated electricity in their supply portfolios, and some prominently feature that fact in their
5 marketing. As PG&E itself has pointed out, “the charters of many CCAs flatly prohibit the
6 procurement of nuclear generation.”¹⁷ The website for Monterey Bay Community Power, the
7 CCA now joined by all but one of the incorporated cities in the County of San Luis Obispo (home
8 Of DCNPP), expressly disavows inclusion of nuclear-generated electricity in its portfolio:
9 “Nuclear power is also considered carbon-free. However, MBCP is not including it in its
10 portfolio.”¹⁸

11

12 **IV. QUITE SIGNIFICANT ABOVE-MARKET COSTS.**

13

14 Q10: Can you please explain what you mean by “above-market costs” attributable to DCNPP?

15 A10: After years of controversy, the Commission adopted a detailed methodology in D.18-10-

16 019 revising calculation of the PCIA, “the rate intended to equalize cost sharing between

17 departing load and bundled load.”¹⁹ Among the “Final Guiding Principles” articulated in D.18-10-

18 019:

19 1. Any PCIA methodology adopted by the Commission to prevent cost increases for
20 either bundled or departing load:

¹⁷ R.17-06-026, Reply Comments of Pacific Gas and Electric Company (U 39-E), San Diego Gas and Electric Company (U 902-E), and Southern California Edison Company (U 338-E) on Proposed Decision and Alternate Proposed Decision Modifying the Power Charge Indifference Adjustment Methodology, p. 9, citing Exhibit IOU-3, p. 2-25, lines 16-17.

¹⁸ <https://www.mbcommunitypower.org/#faqs>

¹⁹ D.18-10-019, p. 3.

1
2 h. should only include legitimately unavoidable costs and account for the IOUs'
3 responsibility to prudently manage their generation portfolio and take all reasonable
4 steps to minimize above-market costs;²⁰
5

6 D.18-10-019 also reiterated the Commission's two regulatory vantage points into the prudent
7 management of IOU supply portfolios: "Utilities are of course required to manage their
8 portfolios prudently. Imprudent management would justify disallowing recovery of portfolio
9 costs, and could be considered in ERRA or General Rate Case (GRC) proceedings."²¹

10 PG&E's responses to data requests by A4NR in this proceeding identified PCIA charges
11 attributable to DCNPP of \$168 million in 2018²² and \$277 million in 2019.²³ Based on PG&E's
12 indication that CCAs and DA providers served 41% of the load in PG&E's service territory in
13 2018²⁴ and are forecast to serve 53% in 2019,²⁵ the Commission-adopted PCIA methodology
14 would assign \$410 million (168 divided by .41) in above-market costs to DCNPP in 2018 and
15 forecast \$523 million (277 divided by .53) in DCNPP above-market costs in 2019. To the extent
16 that DCNPP's operation contributes to the economic curtailment of renewable electricity
17 generation under contract to PG&E, and such contracts provide for payments by PG&E as if
18 such curtailed output is deemed to have been generated (as PG&E has done since 2015),²⁶ then
19 DCNPP operation will also add to the annual costs (and PCIA amounts) attributed to those
20 contracts.

²⁰ *Id.*, p. 15.

²¹ *Id.*, p. 112.

²² GRC-2020-Phi_DR_A4NR_002-Q02.

²³ GRC-2020-Phi_DR_A4NR_002-Q04.

²⁴ GRC-2020-Phi_DR_A4NR_002-Q06.

²⁵ GRC-2020-Phi_DR_A4NR_002-Q08.

²⁶ PG&E, Presentation by Sandra Burns at the June 20, 2018 IEPR Workshop on Renewable Integration and Electric System Flexibility, <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=18-IEPR-06>.

1 **V. UNREASONABLY EXPENSIVE GHG MITIGATION.**

2
3 Q11: Since operation of DCNPP produces electricity with no incremental greenhouse gas
4 (“GHG”) emissions, shouldn’t some above-market costs be acceptable pursuant to California’s
5 efforts to decarbonize the electricity sector?

6 A11: Yes, but particularly for a legacy plant in its last years of service like DCNPP, only within
7 some realm of reason. D.18-10-019 expressly rejected a proposed GHG-free adder “untethered
8 to any reliable, observable market premium”:

9 ... applying a GHG-free adder amid scarce data on GHG-free resource transaction
10 premiums is unwarranted. CalCCA’s proposed \$6.14/MWh (itself a substantial reduction
11 from the \$24.16/MWh for PG&E and \$25.11/MWh for SCE that CalCCA proposed in
12 testimony) is not tied to any market transactions. TURN offered the limited transaction
13 price data in the record—a \$2/MWh premium estimate reported by Sonoma Clean
14 Power in February 2017. The Joint Utilities noted that, for planning purposes, the City of
15 San Diego assumed \$3.50/MWh was the GHG-free adder used by the City of San Diego
16 in July 2017 in their [sic] the Short-Term Cost of Service Model included in their CCA
17 Feasibility Study. Neither of these GHG values represent a reliable market value on
18 which to base an additional GHG-free benchmark that would apply to the hydroelectric
19 and nuclear resources in the IOU portfolios.²⁷

20
21 Using the 18,000 GWh yearly production identified for DCNPP in PG&E’s GRC
22 testimony,²⁸ the \$2 – 6.14/MWh levels mentioned above would yield annual amounts of \$36
23 million at \$2/MWh; \$63 million at \$3.50/MWh; and \$110.5 million at \$6.14/MWh.

24 Alternatively, using the California Air Resources Board’s May 2019 Cap-and-Trade Auction
25 settlement price of \$17.45 per metric ton,²⁹ and the 8-million-metric-tons-per-year maximum

²⁷ D.18-10-019, pp. 150 – 151.

²⁸ PG&E-5, p. 3-4.

²⁹ https://ww3.arb.ca.gov/cc/capandtrade/auction/results_summary.pdf

1 displacement identified for DCNPP in PG&E’s GRC testimony,³⁰ would produce an annual sum of
2 \$139.6 million. Reliance on the lower displacement estimate of 6 million metric tons (PG&E
3 assumed 6 – 7 million metric tons in A.16-08-006³¹) would reduce this annual value to \$104.7
4 million. Even the most generous GHG metric would account for no more than 26.7% of
5 DCNPP’s above-market costs in 2019, meaning that \$523 million could have purchased at the
6 May 2019 Cap-and-Trade auction roughly quadruple the annual GHG emissions savings
7 attributed by PG&E to DCNPP.

8

9 **VI. GRC IS THE APPROPRIATE FORUM.**

10

11 Q12: How has the Commission addressed the prospect of changed circumstances affecting
12 the identification of a DCNPP retirement date?

13 A12: Commission decisions have left that assessment up to PG&E. As noted in D.18-01-022,
14 which approved A.16-08-006,

15 Given the relatively early state of the IRP proceeding, the more prudent and
16 conservative approach to balancing this uncertainty tips against a shutdown before
17 2024 and 2025. As we gain a clearer picture of future developments, such as the relative
18 cost of operating Diablo Canyon, this balance could change. Because there is a
19 possibility that Diablo Canyon may cease operations earlier than 2024 and 2025, PG&E
20 should prepare for that contingency. In the IRP proceeding, PG&E should be prepared to
21 present scenarios assuming Diablo Canyon retirement dates prior to 2024/2025,
22 including ones that demonstrate no more than a de minimis increase in the greenhouse
23 gas emissions of its electric portfolio.

³⁰ PG&E-5, p. 3-4.

³¹ A.16-08-006, PG&E Opening Brief, p. 11, footnote 32.

1 Based on the record of this proceeding, PG&E’s proposed 2024/2025 retirement
2 schedule for Diablo Canyon provides a reasonable amount of time for the transition
3 process, including further examination of replacement procurement. Accordingly,
4 PG&E’s proposed retirement schedule for Diablo Canyon is approved. If in the interim
5 period the facts change in a manner that indicates Diablo Canyon should be retired
6 earlier, the Commission may reconsider this determination.³²

7
8 D.18-02-018, setting requirements for Load Serving Entities filing Integrated Resource
9 Plans, modified the direction to PG&E from “be prepared to present scenarios assuming Diablo
10 Canyon retirement dates prior to 2024/2025” to “we will specifically require that PG&E present
11 alternative portfolios for our consideration in its IRP filing, if it proposes or intends to retire
12 Diablo Canyon at any time prior to the expected 2024/2025 retirement date.”³³ To date, PG&E
13 has submitted no such “scenarios” or “alternative portfolios,” and until recently the IRP
14 proceeding has focused upon a 2030 time horizon for achieving an annual GHG emissions target
15 of 42 million metric tons. Evaluation of pre-2024/2025 DCNPP retirement scenarios has
16 previously fallen into a blind spot in the Commission’s integrated resource planning process,
17 although the June 20, 2019 Assigned Commissioner and Administrative Law Judge’s Ruling
18 recently solicited comments on reliability needs in the 2019-2024 period.

19 Q13: Can continued operation of DCNPP be justified by its contribution to meeting resource
20 adequacy needs?

21 A13: Perhaps, but it seems unlikely and PG&E has yet to make that argument. The
22 Commission’s PCIA methodology has long featured a capacity adder to reflect a plant’s

³² D.18-01-022, p. 15. Conclusion of Law 1 stated, “PG&E’s proposal to retire Diablo Canyon Unit 1 **by** 2024 and Unit 2 **by** 2025 is reasonable, and should be approved.” (emphasis added) Ordering Paragraph 1 stated, “Pacific Gas and Electric Company’s proposal to retire Diablo Canyon Unit 1 **by** 2024 and Unit 2 **by** 2025 is approved.” (emphasis added)

³³ D.18-02-018, pp. 154 – 155.

1 contribution to resource adequacy, and D.18-10-019 modified the methodology to specifically
2 incorporate the value of system, local, and flexible capacity.³⁴ Adding another \$410 – 523
3 million in annual above-market costs may create an insurmountable barrier to characterizing
4 DCNPP as an economically defensible resource adequacy resource. As the Commission noted in
5 D.18-01-022,

6 PG&E’s analysis indicates that there is no need to replace Diablo Canyon in order to
7 maintain system reliability. (Transcript Vol. 6 at 957-958.)

8 PG&E has also been unequivocal that the retirement of Diablo Canyon will not have an
9 adverse impact on local reliability. According to PG&E, because Diablo Canyon’s output
10 is exported on the bulk transmission system, Diablo Canyon is considered a system
11 resource only, and is not needed for local reliability: ... Unlike San Onofre Nuclear
12 Generating Station, DCPD is considered as a system resource only and is not needed to
13 provide support for local reliability.³⁵

14

15 Q14: How does the operation of DCNPP during the 2020 – 2022 general rate case cycle relate
16 to the issues in this proceeding?

17 A14: PG&E has the burden of proving, by a preponderance of evidence, that the revenue
18 requirement it is requesting in A.18-12-009 is reasonable and that the resulting rates will be
19 both just and reasonable. According to its testimony, PG&E is forecasting O&M expenses for
20 DCNPP of \$1,039,874,000 in nominal dollars during the 2020 – 2022 rate cycle (\$357,731,000 in
21 2020; \$341,595,000 in 2021; and \$340,548,000 in 2022).³⁶ It is forecasting capital expenditures
22 of \$84,402,000 in nominal dollars during the 2020 – 2022 rate cycle (\$42,881,000 in 2020;
23 \$25,173,000 in 2021; and \$16,348,000 in 2022).³⁷ To the extent these planned expenditures are

³⁴ D.18-10-019, p. 74.

³⁵ D.18-01-022, pp. 8 – 9.

³⁶ PG&E-5, p. 3-5, Table 3-1.

³⁷ *Id.*, p. 3-7, Table 3-2.

1 contingent upon DCNPP's status as an operating plant (since post-shutdown expenses,
2 including contract cancellation costs, will be paid from the DCNPP decommissioning trusts after
3 a determination of their reasonableness), they cannot be considered "legitimately unavoidable
4 costs" under D.18-10-019 for inclusion in the PCIA unless DCNPP's 2020 – 2022 operation is
5 found prudent. For a plant which generated \$523 million in above-market costs in 2019 after
6 experiencing \$410 million in above-market costs in 2018 – with no demonstrable reason why
7 this annual trend will not extend through the 2020 – 2022 rate cycle and beyond – proving the
8 reasonableness of incurring more than \$1.124 billion (the sum of PG&E's O&M and Capital
9 requests in this GRC proceeding) in additional costs is a substantial evidentiary burden, even
10 excluding the nuclear fuel costs that likely exceed \$100 million per year but are outside the
11 scope of this proceeding. Do PG&E's dwindling number of bundled customers deserve such
12 insensitivity from their utility to the cost of the electricity provided?

13 PG&E's general rate application makes no attempt to justify the reasonableness of
14 running such an uneconomic plant, and the staleness of its prepared testimony is self-evident
15 from the statement, "Approximately 39 percent of PG&E's load is currently served by direct
16 access and CCA providers."³⁸ In fact, the proportion is more than one-third higher in 2019, as
17 PG&E has subsequently acknowledged,³⁹ and was projected by PG&E in April 2018 to climb to
18 58% in 2022.⁴⁰ By what standard could it be considered reasonable to incur avoidable above-
19 market costs of such magnitude when a substantial majority of such costs are inflicted on non-
20 bundled customers? For all of the reasons PG&E articulated in A.16-08-006, the conspicuous

³⁸ *Id.*, p. 6-20.

³⁹ GRC-2020-Phi_DR_A4NR_002-Q08.

⁴⁰ R.17-06-026, Ex. IOU-1, p. 1-17, Table 1-2, citing "current internal load forecasts."

1 acceleration in its motivating premises should induce a prudently managed utility to update the
2 retirement calendar for DCNPP appropriately. Instead, while encumbering both bundled and
3 non-bundled customers with significant above-market costs, PG&E proposes to increase their
4 economic hardship by incurring additional avoidable costs in massive amounts.

5

6 **VII. PRELIMINARY CONCLUSIONS.**

7

8 Q15: What preliminary conclusions do you draw from the evidence presented in your
9 testimony?

10 A15: Unless PG&E does so in its rebuttal testimony, the utility has failed to meet its burden of
11 proving the reasonableness of including \$1,039,874,000 in avoidable DCNPP O&M costs and
12 \$84,402,000 in avoidable DCNPP Capital expenditures in calculating the revenue requirement
13 for the 2020 – 2022 general rate case cycle. Including these amounts in rates would be
14 incompatible with just and reasonable rates.

15 PG&E's refusal to update its analyses from A.16-08-006 is *prima facie* evidence of its
16 failure to prudently manage its supply portfolio and an invitation for the disallowance of above-
17 market DCNPP costs. PG&E's unwillingness to respond to the changing market conditions that
18 have rendered DCNPP a hopelessly stranded asset, saddling both bundled load and departed
19 load with immense annual deadweight losses to produce increasingly unwanted output,
20 compounds the utility's defiance of the Commission's prudent manager standard. Based on its

1 testimony, the only plausible explanation for PG&E's persistence in operation of such an
2 uneconomic plant is to generate a continuing return on its stranded investment. A better
3 approach – consistent with Commission precedent – would allow an accelerated return of this
4 investment (albeit at a reduced rate of return on such investment) and a recycling of this capital
5 into higher priority fire-hardening investments in the PG&E grid.

6 Q16: Does this conclude your testimony?

7 A16: Yes, it does. A4NR will make a formal recommendation to the Commission in its

8 Opening Brief.

Appendix A

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1 QUALIFICATIONS OF JOHN L. GEESMAN

2 John L. Geesman is an attorney with the Oakland law firm, Dickson Geesman LLP, and a
3 member in good standing of the California State Bar.

4 Mr. Geesman served as a member of the California Energy Commission from 2002 to
5 2008, and was the agency's Executive Director from 1979 to 1983. Between his two tours at the
6 Energy Commission, Mr. Geesman spent nineteen years as an investment banker focused on
7 the U.S. bond markets and served as a financial advisor to municipal electric utilities throughout
8 the West.

9 Mr. Geesman has a long history of providing leadership on issues related to resource
10 planning, environmental policy, financial management, and risk practices. This is demonstrated
11 by his service in numerous executive capacities, including stints as:

- 12 • Co-Chair of the American Council on Renewable Energy;
- 13 • Chairman of the California Power Exchange;
- 14 • President of the Board of Directors of The Utility Reform Network (nee Toward Utility
15 Rate Normalization);
- 16 • Member of the Governing Board of the California Independent System Operator; and,
- 17 • Chairman of the California Managed Risk Medical Insurance Board.

18 Mr. Geesman has previously testified as an expert witness before the California Public
19 Utilities Commission.

20 Mr. Geesman is a graduate of Yale College and the University of California Berkeley
21 School of Law.

EXHIBIT B

March 1, 2019 PG&E Data Response

GRC-2020-Phi_DR_A4NR_002-Q002_554605

PACIFIC GAS AND ELECTRIC COMPANY
2020 General Rate Case Phase I
Application 18-12-009
Data Response

PG&E Data Request No.:	A4NR_002-Q02		
PG&E File Name:	GRC-2020-Phi_DR_A4NR_002-Q02		
Request Date:	February 14, 2019	Requester DR No.:	002
Date Sent:	March 1, 2019	Requesting Party:	Alliance for Nuclear Responsibility
PG&E Witness:	TBD	Requester:	Dickson Geesman

QUESTION 02

Please identify the dollar amount of 2018 PCIA charges in PG&E's service territory attributable to the Diablo Canyon Nuclear Power Plant.

ANSWER 02

PG&E objects to this data request on grounds that the information requested is not relevant to and is outside the scope of this proceeding, which addresses PG&E's forecast costs of operation for the years 2020-2022.

Subject to and without waiving that objection, below is PG&E's response.

As noted in PG&E's response to Question 1, the Power Charge Indifference Adjustment (PCIA) is paid by PG&E's eligible Direct Access (DA) and Community Choice Aggregation (CCA) customers. PG&E estimates the 2018 PCIA revenue attributable to Diablo Canyon Nuclear Power Plant is approximately \$168 million. This is calculated based on the same workpapers and methodology that was used to calculate the \$633 million 2018 PCIA revenue stated in Question 1.

EXHIBIT C

March 1, 2019 PG&E Data Response

GRC-2020-Phi_DR_A4NR_002-Q04

PACIFIC GAS AND ELECTRIC COMPANY
2020 General Rate Case Phase I
Application 18-12-009
Data Response

PG&E Data Request No.:	A4NR_002-Q04		
PG&E File Name:	GRC-2020-Phi_DR_A4NR_002-Q04		
Request Date:	February 14, 2019	Requester DR No.:	002
Date Sent:	March 1, 2019	Requesting Party:	Alliance for Nuclear Responsibility
PG&E Witness:	TBD	Requester:	Dickson Geesman

QUESTION 04

Please identify the dollar amount of forecast 2019 PCIA charges in PG&E's service territory attributable to the Diablo Canyon Nuclear Power Plant.

ANSWER 04

PG&E objects to this data request on grounds that the information requested is not relevant to and is outside the scope of this proceeding, which addresses PG&E's forecast costs of operation for the years 2020-2022.

Subject to and without waiving that objection, below is PG&E's response.

Please see PG&E's response to Question 3. The Power Charge Indifference Adjustment (PCIA) revenue requirement is payable by eligible Direct Access (DA) and Community Choice Aggregation (CCA) customers. Out of the \$1,042.9 million forecast 2019 PCIA revenue requirement, stated in Question 3, PG&E estimates that the portion attributable to Diablo Canyon Nuclear Power Plant is approximately \$277 million.

EXHIBIT D

March 1, 2019 PG&E Data Response

GRC-2020-Phi_DR_A4NR_002-Q06

**PACIFIC GAS AND ELECTRIC COMPANY
2020 General Rate Case Phase I
Application 18-12-009
Data Response**

PG&E Data Request No.:	A4NR_002-Q06		
PG&E File Name:	GRC-2020-Phi_DR_A4NR_002-Q06		
Request Date:	February 14, 2019	Requester DR No.:	002
Date Sent:	March 1, 2019	Requesting Party:	Alliance for Nuclear Responsibility
PG&E Witness:	TBD	Requester:	Dickson Geesman

QUESTION 06

Please identify the percentage of PG&E's service territory load attributable to Direct Access/Community Choice Aggregation in 2018.

ANSWER 06

PG&E objects to this data request on grounds that the information requested is not relevant to and is outside the scope of this proceeding, which addresses whether PG&E's forecast costs of operation for the years 2020-2022. Subject to and without waiving that objection, the percentage of PG&E's forecasted service territory load attributable to Direct Access/Community Choice Aggregation in 2018 was 41%. This was calculated based on the November Update of PG&E's 2018 Energy Resource Recovery Account and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue and Reconciliation Application (A.17-06-005).

EXHIBIT E

March 1, 2019 PG&E Data Response

GRC-2020-Phi_DR_A4NR_002-Q08

**PACIFIC GAS AND ELECTRIC COMPANY
2020 General Rate Case Phase I
Application 18-12-009
Data Response**

PG&E Data Request No.:	A4NR_002-Q08		
PG&E File Name:	GRC-2020-PhI_DR_A4NR_002-Q08		
Request Date:	February 14, 2019	Requester DR No.:	002
Date Sent:	March 1, 2019	Requesting Party:	Alliance for Nuclear Responsibility
PG&E Witness:	TBD	Requester:	Dickson Geesman

QUESTION 08

Please identify the percentage of PG&E's forecast service territory load attributable to Direct Access/Community Choice Aggregation in 2019.

ANSWER 08

PG&E objects to this data request on grounds that the information requested is not relevant to and is outside the scope of this proceeding, which addresses PG&E's forecast costs of operation for the years 2020-2022. Subject to and without waiving that objection, the percentage of PG&E's forecasted service territory load for 2019 attributable to Direct Access/Community Choice Aggregation is 53%. This is calculated based on the November Update of PG&E's 2019 Energy Resource Recovery Account and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue and Reconciliation Application (A.18-06-001)..

EXHIBIT F

September 24, 2019 PG&E Data Response

GRC-2020-Phi_DR_A4NR_003-Q02

PACIFIC GAS AND ELECTRIC COMPANY
2020 General Rate Case Phase I
Application 18-12-009
Data Response

PG&E Data Request No.:	A4NR_003-Q02		
PG&E File Name:	GRC-2020-Phi_DR_A4NR_003-Q02		
Request Date:	September 9, 2019	Requester DR No.:	003
Date Sent:	September 24, 2019	Requesting Party:	Alliance for Nuclear Responsibility
PG&E Witness:	N/A	Requester:	John L. Geesman

QUESTION 02

Please identify the dollar amount of forecast 2020 PCIA charges in PG&E's service territory attributable to the Diablo Canyon Nuclear Power Plant.

ANSWER 02

PG&E objects to this data request on grounds that it is irrelevant to, and outside the scope of this proceeding. Subject to and without waiving that objection, PG&E responds that PG&E forecasts \$717 million in PCIA charges attributable to the Diablo Canyon Nuclear Power Plant (DCPP) for 2020 in PG&E's Opening Testimony for the 2020 ERRRA forecast. This amount is based on a total cost forecast of \$1,552 million, of which \$540 million is for costs related to existing book value (i.e. depreciation plus net for return).

For comparison, the PCIA charges attributable to DCPP in the 2019 PCIA forecast were \$619 million; however, the 2019 total cost forecast did not include certain cost items such as DCPP retention and DCPP retirement as the Commission didn't authorize those costs to be recovered through the PCIA until earlier this year in Advice Letter 5440-E. The cost items that the Commission approved in Advice Letter 5440-E are now being recorded into PABA as of January 1, 2019, and will be reflected in the 2019 year-end PABA balance.

EXHIBIT G

September 23, 2019 PG&E Data Response

GRC-2020-Phi_DR_A4NR_003-Q04

**PACIFIC GAS AND ELECTRIC COMPANY
2020 General Rate Case Phase I
Application 18-12-009
Data Response**

PG&E Data Request No.:	A4NR_003-Q04		
PG&E File Name:	GRC-2020-Phi_DR_A4NR_003-Q04		
Request Date:	September 9, 2019	Requester DR No.:	003
Date Sent:	September 23, 2019	Requesting Party:	Alliance for Nuclear Responsibility
PG&E Witness:	N/A	Requester:	John L. Geesman

QUESTION 04

Please identify the percentage of PG&E's forecast service territory load attributable to Direct Access/Community Choice Aggregation in 2020.

ANSWER 04

The percentage of PG&E's forecasted service territory load for 2020 attributable to Direct Access/Community Choice Aggregation is 57%. This is calculated based on PG&E's 2020 Energy Resource Recovery Account and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue and Reconciliation Application (A.19-06-001). This forecast has not yet been approved by the California Public Utilities Commission.

EXHIBIT H

March 1, 2019 PG&E Data Response

GRC-2020-Phi_DR_A4NR_002-Q09

**PACIFIC GAS AND ELECTRIC COMPANY
2020 General Rate Case Phase I
Application 18-12-009
Data Response**

PG&E Data Request No.:	A4NR_002-Q09		
PG&E File Name:	GRC-2020-Phi_DR_A4NR_002-Q09		
Request Date:	February 14, 2019	Requester DR No.:	002
Date Sent:	March 1, 2019	Requesting Party:	Alliance for Nuclear Responsibility
PG&E Witness:	TBD	Requester:	Dickson Geesman

QUESTION 09

Please provide 2019 values for each of the line items in Table 2-3 of PG&E's testimony in A.16-08-006 (Exhibit PG&E-1, Chapter 2, witness: Janice Y. Frazier-Hampton), utilizing the same methodology as the earlier testimony.

ANSWER 09

PG&E objects to this data request on grounds that generation resource need is outside the scope of this proceeding, which addresses PG&E's forecast costs of operation for the years 2020-2022. The CPUC addresses generation resource needs in the Integrated Resource Planning proceeding. Subject to and without waiving that objection, PG&E responds that the information requested is not available. PG&E did not prepare and does not have the 2019 values for each of the line items in Table 2-3 of PG&E's testimony in A.16-08-006.

EXHIBIT I

March 1, 2019 PG&E Data Response

GRC-2020-Phi_DR_A4NR_002-Q10

**PACIFIC GAS AND ELECTRIC COMPANY
2020 General Rate Case Phase I
Application 18-12-009
Data Response**

PG&E Data Request No.:	A4NR_002-Q10		
PG&E File Name:	GRC-2020-PhI_DR_A4NR_002-Q10		
Request Date:	February 14, 2019	Requester DR No.:	002
Date Sent:	March 1, 2019	Requesting Party:	Alliance for Nuclear Responsibility
PG&E Witness:	TBD	Requester:	Dickson Geesman

QUESTION 10

Please provide 2020 values for each of the line items in Table 2-3 of PG&E's testimony in A.16-08-006 (Exhibit PG&E-1, Chapter 2, witness: Janice Y. Frazier-Hampton), utilizing the same methodology as the earlier testimony.

ANSWER 10

PG&E objects to this data request on grounds that generation resource need is outside the scope of this proceeding, which addresses PG&E's forecast costs of operation for the years 2020-2022. The CPUC addresses generation resource needs in the Integrated Resource Planning proceeding. Subject to and without waiving that objection, PG&E responds that the information requested is not available. PG&E did not prepare and does not have the 2020 values for each of the line items in Table 2-3 of PG&E's testimony in A.16-08-006.

EXHIBIT J

March 1, 2019 PG&E Data Response

GRC-2020-Phi_DR_A4NR_002-Q11

**PACIFIC GAS AND ELECTRIC COMPANY
2020 General Rate Case Phase I
Application 18-12-009
Data Response**

PG&E Data Request No.:	A4NR_002-Q11		
PG&E File Name:	GRC-2020-PhI_DR_A4NR_002-Q11		
Request Date:	February 14, 2019	Requester DR No.:	002
Date Sent:	March 1, 2019	Requesting Party:	Alliance for Nuclear Responsibility
PG&E Witness:	TBD	Requester:	Dickson Geesman

QUESTION 11

Please provide 2021 values for each of the line items in Table 2-3 of PG&E's testimony in A.16-08-006 (Exhibit PG&E-1, Chapter 2, witness: Janice Y. Frazier-Hampton), utilizing the same methodology as the earlier testimony.

ANSWER 11

PG&E objects to this data request on grounds that generation resource need is outside the scope of this proceeding, which addresses PG&E's forecast costs of operation for the years 2020-2022. The CPUC addresses generation resource needs in the Integrated Resource Planning proceeding. Subject to and without waiving that objection, PG&E responds that the information requested is not available. PG&E did not prepare and does not have the 2021 values for each of the line items in Table 2-3 of PG&E's testimony in A.16-08-006.

EXHIBIT K

March 1, 2019 PG&E Data Response

GRC-2020-Phi_DR_A4NR_002-Q12

**PACIFIC GAS AND ELECTRIC COMPANY
2020 General Rate Case Phase I
Application 18-12-009
Data Response**

PG&E Data Request No.:	A4NR_002-Q12		
PG&E File Name:	GRC-2020-PhI_DR_A4NR_002-Q12		
Request Date:	February 14, 2019	Requester DR No.:	002
Date Sent:	March 1, 2019	Requesting Party:	Alliance for Nuclear Responsibility
PG&E Witness:	TBD	Requester:	Dickson Geesman

QUESTION 12

Please provide 2022 values for each of the line items in Table 2-3 of PG&E's testimony in A.16-08-006 (Exhibit PG&E-1, Chapter 2, witness: Janice Y. Frazier-Hampton), utilizing the same methodology as the earlier testimony.

ANSWER 12

PG&E objects to this data request on grounds that generation resource need is outside the scope of this proceeding, which addresses PG&E's forecast costs of operation for the years 2020-2022. The CPUC addresses generation resource needs in the Integrated Resource Planning proceeding. Subject to and without waiving that objection, PG&E responds that the information requested is not available. PG&E did not prepare and does not have the 2022 values for each of the line items in Table 2-3 of PG&E's testimony in A.16-08-006.