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FLOOR ALERT
SB 846 (Dodd) Diablo Canyon Extension of Operations
OPPOSE

The Utility Reform Network (TURN), a consumer advocacy organization that has fought on behalf of California residents for almost 50 years, is **Opposed to SB 846 (Dodd)**

TURN, on behalf of its 10,000 dues paying members across the state, must oppose the terms of the Governor's proposal to reverse the decommissioning of Diablo Canyon and the plan to extend operations of this facility. While TURN is committed to reliable and clean electricity, TURN is also committed to keeping utility rates affordable and not passing unnecessary costs on to ratepayers. Given the limited time for review, it is not clear to TURN that this bill adequately protects ratepayers from unnecessary and unreasonable rate increases. Further, given the timing of the bill draft, there is insufficient time to make the improvements to the bill required to ensure it benefits ratepayers over shareholders.

The bill authorizes a $1.4 billion forgivable loan and an estimated $1.35 billion plus in ratepayer increases based on a number of mandated fees.

The rate impact is not limited to just PG&E residential, commercial, industrial, direct access, community choice and solar rooftop customers, but will impact all customers served by utilities subject to the jurisdiction of the CPUC, including SCE and SDG&E. This surplus money is being routed to PG&E despite the fact that the existing agreement to decommission Diablo Canyon required ratepayers to pay PG&E an accelerated rate of return for years on the condition that ratepayers would be off the hook for Diablo costs by 2025.

Bill gives PG&G discretion to spend hundreds of millions of dollars when facility is down and from replacement costs without returning money to ratepayers

As drafted ratepayers will pay the management fee even if the facility is down for over half of the year. Not only does PG&E get paid when the facility is down, the proposal shields PG&E shareholders from hundreds of millions of dollars in replacement costs even though it is unclear whether it is necessary, who is receiving the replacement power, and even if the outages are caused by PG&E imprudence, mismanagement or negligence.

Lawmakers should be given more time to ensure the bill avoids any unintended consequences and will protect ratepayers from paying for any PG&E mismanagement.

For these reasons TURN asks for a NO vote on SB 846 (Dodd)

TURN OPPOSE SB 846 (DODD): Examples of ratepayer exposure included in SB 846

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

- Starting in 2025, all ongoing Diablo Canyon costs (capital, operations, fuel, insurance, taxes, pensions/benefits, mitigation fees, fuel storage) would be collected from electricity customers across the state served by Investor-Owned Utilities, Community Choice Aggregators, and Electric Service Providers.
- Limited mechanisms for constraining costs or limiting the ability of PG&E to recover unlimited spending on Diablo Canyon in electricity rates. Language disincentivizes financial discipline by allowing PG&E to exceed approved forecasts by up to 15% without additional review of the excess spending.
- No forecast of costs has been provided by PG&E or Governor's Office.
- PG&E should not be given a blank check for unlimited costs that can be charged statewide.

Fixed management fee of $100 million/year starting in 2025 goes directly to PG&E shareholders

- Collected via non-bypassable charge on all customers in CA Investor-Owned Utility service territories (PG&E, SCE, SDG&E, includes all CCAs and Direct Access customers)
- PG&E still earns the full $100 million fee even if the facility is down for 9 months in the first year of operations, 8 months in the second year, etc.

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

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

Volumetric fee of $19.50/MWh for production starting in 2025

- $6.50 collected via non-bypassable charge on all customers in CA Investor-Owned Utility service territories (PG&E, SCE, SDG&E, includes all CCAs and Direct Access customers). In addition to this $6.50 an additional $6.50 ($13 total) collected from customers within PG&E's service territory (including CCAs and Direct Access customers).
- These funds serve to support credit and further insulate shareholders from risk.
- Funds can only be spent on Diablo expenses or identified projects that will only go through the most **limited** CPUC review. Bill should be amended to require a full ust and reasonable ratemaking or to reduce utility debt.

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

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