



Paying the Price:

Ratepayer Impact for the Decommissioning of the San Onofre Nuclear Power Plant

On June 7, 2013 Southern California Edison (SCE) announced that it will permanently retire the remaining reactor units of its San Onofre nuclear power plant. This announcement concluded the saga of the failed multimillion-dollar upgrade project designed to extend the life of California's largest nuclear power plant.

Background

In 2010, Southern California Edison (SCE) spent a reported \$768.5 million on the generator replacement project for reactors #2 and #3 at the San Onofre Nuclear Generating Station (SONGS).¹ However, within two years of installing newly designed steam generators, damage was detected to over 3,000 steam-generator tubes and small radioactive leaks were discovered. By late January 2012, SCE decided to temporarily shut down reactors #2 and #3 until further notice.

On 7 July 2013, Ted Craver, chairman of SCE's parent holding company, unexpectedly announced plans to permanently retire reactor units #2 and #3, effectively shutting down SONGS. Mr. Craver explained the decision by stating that *"SCE has concluded that efforts are better focused on planning for the replacement generation and transmission resources which will be required for grid reliability."*²

FACTS AT A GLANCE*

- San Onofre is jointly owned by Southern California Edison (78.21%), San Diego Gas & Electric (20%), and the city of Riverside (1.79%).
- At their peak, reactors #2 and #3 generated 2,200 megawatts of electricity.
- San Onofre produced 19% of the power used by Southern California Edison's 4.9 million customers.
- San Onofre provided power to serve 1.4 million southern California households.

*Source: Decommissioning San Onofre Nuclear Generating Station Fact Sheet, SCE, June 12, 2013.

The Price Tag

- The ill fated steam generator replacement project at SONGS cost an estimated \$768.5 million.³
- In September 2013, San Onofre operators asked the California Public Utilities Commission to allow them to collect over \$800 million from customers in order to recover its investments in the replacement steam generators and some continued operational costs of the retired San Onofre nuclear plant.⁴
- Consumers have been paying \$68 million each month for a non-operating nuclear power plant since January 2012.⁵

¹ Expenditures for Installation - San Onofre Nuclear Generating Station Units 2 & 3 Replacement Steam Generators and Disposal of Original Steam Generators, SCE testimony before the California Public Utilities Commission, March 16, 2013.

² Southern California Edison Announces Plans to Retire San Onofre Nuclear Generating Station, SCE Press release, 7 June 2013.

³ Expenditures for Installation - San Onofre Nuclear Generating Station Units 2 & 3 Replacement Steam Generators and Disposal of Original Steam Generators, SCE testimony before the California Public Utilities Commission, March 16, 2013.

⁴ SDG&E seeks \$808M for nuke plant, Morgan Lee, U-T San Diego, September 6, 2013.

⁵ Who should pay for San Onofre fiasco? The answer is obvious, Michael Hiltzik, Los Angeles Times, June 07, 2013.

- During the time period between January 2012 when SONGS was shut down to September 2013, SCE and San Diego Gas & Electric collected nearly \$1.3 billion from southern California ratepayers in SONGS related “operational costs.”⁶



Question & Answers

Q: Why did SCE and its partners decide to shut down SONGS?

A: SCE made a decision to cut its financial losses and decommission SONGS early, independent of its overseeing regulatory bodies. The SCE failed to provide the Californian Public Utilities Commission (PUC) or any other oversight body with a detailed cost analysis of its attempts to fix its two faulty steam generators. Instead the SCE concluded on its own, in its own self-interest, to abort further attempts at repair and decommission SONGS indefinitely.

Q: Who is responsible for the two failed steam generators?

A: SCE is currently in the process of seeking compensation for its losses from its insurers and is suing Mitsubishi Heavy Industries - which built the two faulty generators under SCE’s watch - for damages that could top an estimated \$2 billion.⁷ In its lawsuit, SCE claims that Mitsubishi manufactured "a lemon" and could not fix "defects in its product because they were so fundamental and pervasive."⁸

Q: What is SCE suggesting?

A: In August 2013, SCE ran a full page ad in southern California’s largest papers, where they argued that ratepayers, not shareholders, should help recoup their investment in the San Onofre plant. In the ad, SCE explained that “SCE’s position is that the costs associated with the shutdown of SONGS that are not recovered from Mitsubishi or through insurance should be borne fairly in accordance with these principles.”⁹

The public had no say in SCE’s actions and has received no energy from the plant for more than one and a half years now. California **ratepayers should bear no financial liability** for SONGS operation costs and attempted repairs since SONGS’ 2012 premature shutdown. Those expenses sit squarely with the plant’s operators and their shareholders.

Q: Who can protect consumers from unfair electricity rates?

A: The Californian Public Utilities Commission (PUC) is tasked under *Public Utilities Code §451* to ensure that all utility charges are just and reasonable. The PUC’s own Division of Ratepayer Advocates (DRA) has publicly stated that charging ratepayers expenses for a non-operational plant is so clearly *unreasonable* that failure to remove SONGS costs from rates immediately would be a violation of the PUC’s mandate.¹⁰

Q: What can be done to protect Consumers?

A: The PUC should immediately rule that:

1. Ratepayers not pay any of the estimated \$768.5 million spent as part of the steam generator replacement project at SONGS.
2. SONGS operators should cease to charge ratepayers for “operational costs” associated with the non-operational power plant, and reimburse ratepayers for money collected while SONGS stood idle from January 2012 until present.

Q: How much money should be returned to rate payers?

⁶ Who's paying for the San Onofre nuclear plant shutdown? Edison says it may be you, Molly Peterson, KPCC, August 12th, 2013.

⁷ SCE Press Release: Southern California Edison Serves Formal Notice of Dispute to Mitsubishi over Defective Steam Generators at SONGS, July 18, 2013.

⁸ *Ratepayers should bear part of San Onofre closure cost, utility says*, Marc Lifsher, Los Angeles Times, August 12, 2013.

⁹ SCE Open Letter: To the Customers of Southern California Edison, available online at: www.songscommunity.com/docs/openletter_Eng_10x135_4C.PDF

¹⁰ Motion of the Division of Ratepayer Advocates to Amend the Scoping Memo & for Summary Disposition to Immediately Remove Specified SONGS Units 2 & 3 Revenue Requirement from Rates, 25 June 2013.

A: In the past 20 months since SONGS was shut down in January 2012, it is estimated that SCE and San Diego Gas & Electric, have collected over \$1.3 billion from California ratepayers in “operational costs”. A rough estimate suggests that each consumer would receive on average reimbursement of nearly \$300.