

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



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Application of Pacific Gas and Electric
Company for Authority, Among Other
Things, to Increase Rates and Charges for
Electric and Gas Service Effective on January
1, 2020. (U 39 M)

Application 18-12-009
(Filed December 13, 2018)

**RESPONSE OF THE UTILITY REFORM NETWORK TO THE MOTION OF
PACIFIC GAS & ELECTRIC COMPANY TO STRIKE THE PREPARED
TESTIMONY OF THE ALLIANCE FOR NUCLEAR RESPONSIBILITY**

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August 13, 2019

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I. INTRODUCTION

Pursuant to Rule 11.1 of the Commission Rules and Practice and Procedure, The Utility Reform Network (TURN) submits this response to the motion of Pacific Gas & Electric (PG&E) to strike the testimony of the Alliance for Nuclear Responsibility (A4NR). TURN strongly opposes the motion.

PG&E's motion asserts that the Commission may not consider, as part of this General Rate Case, any proposals addressing the cost-effectiveness of continuing to operate Diablo Canyon through the end of its current federal license. While PG&E is focused solely on striking testimony submitted by A4NR, TURN's testimony proposes disallowing a portion of the stator replacement at Diablo Canyon due to PG&E's failure to consider early shutdown as an alternative to this investment.¹

PG&E's assertions are based on a misrepresentation of both the Commission's holding in D.18-01-022 and the role of the Integrated Resources Planning process. The Commission should deny the motion, permit TURN to make its recommendations relating to the stator replacement, and allow A4NR to present its case regarding the cost-effectiveness of operating Diablo Canyon within the General Rate Case.

**II. NOTHING IN D.18-01-022 GUARANTEES PG&E THE RIGHT TO
OPERATE DIABLO CANYON UNTIL 2024-2025**

PG&E claims that D.18-01-022 grants the utility a right to operate Diablo Canyon

¹ Ex. TURN-6, pages 1-3.

until the end of its current licenses (2024-2025).² In support of this contention, PG&E references the Joint Proposal submitted by a number of parties that was considered as part of that Application.³ The Decision did not approve the Joint Proposal as submitted. The Decision did authorize certain revenue requirements and ratemaking adjustments that would allow PG&E to retire these units no later than the end of their current licenses. The Decision reaches its own findings and conclusions relating to retirement based on the showings made both by sponsors of the Joint Proposal and other parties (such as TURN) that did not endorse the Joint Proposal but did oppose relicensing the plant.

The Decision does not provide PG&E with any affirmative rights relating to continued operation of the plant. The relevant conclusion of law and ordering paragraph, not cited in PG&E's motion, reads as follows:

PG&E's proposal to retire Diablo Canyon Unit 1 by 2024 and Unit 2 by 2025 is reasonable, and should be approved.⁴

A plain reading of this ordering paragraph, and a review of the rest of the Decision, reveals that the Commission endorsed PG&E's proposal to retire the plants no later than (or "by") the end of their current licenses. The Decision did not either establish an entitlement to operate these units until 2024/2025 or provide an exemption from subsequent reviews as to whether the units would remain cost effective to operate through those dates. D.18-01-022 does, however, specifically call for all capital costs to be "reviewed in a GRC (or in a process established in a GRC)".⁵

² PG&E motion to strike, page 2.

³ PG&E motion to strike, page 1.

⁴ D.18-01-022, Conclusion of Law #1, Ordering Paragraph #1.

⁵ D.18-01-022, page 47.

PG&E is required to act prudently to mitigate its costs by conducting analyses as to whether circumstances have changed with respect to the economics of rate based generation units. No prior Commission decision or Legislative enactment precludes a subsequent review of the cost-effectiveness of an early shutdown.

The testimony presented by both A4NR and TURN address concerns about the cost-effectiveness of proposed Diablo Canyon capital additions and operating expenses given the failure to demonstrate that the plant is cost-effective to operate through 2024/2025. These proposals do not conflict with the core holdings of D.18-01-022 and instead ask the Commission to exercise its traditional responsibility of assessing the reasonableness of proposed spending on utility assets as part of a General Rate Case. The Commission should allow both A4NR and TURN to make arguments relating to the reasonableness of proposed spending based on the concern that PG&E failed to consider whether an early shutdown would be more cost-effective than continuing to make capital additions and incur operating expenses needed to operate the plant through the end of its existing licenses.

III. THE INTEGRATED RESOURCE PLANNING PROCESS DOES NOT CONSIDER THE COST-EFFECTIVENESS OF RATEBASED UTILITY OWNED GENERATION

PG&E's second argument relates to the role of the Integrated Resource Planning (IRP) process in determining the expected retirement date for Diablo Canyon. Specifically, PG&E notes that D.18-01-022 deferred the consideration of GHG-free replacement resources to the IRP process and points to the Commission's approval of its Integrated Resource Plan in D.19-04-040 to assert that the 2024/2025 retirement date

should be assumed for purposes of any litigation over costs in the GRC.⁶

There is little evidence that PG&E performed any cost-effectiveness analysis relating to Diablo Canyon in its most recent IRP that was approved in D.19-04-040. The IRP submitted by PG&E relies upon D.18-01-022 as the basis for including Diablo Canyon in its resource portfolio until 2024/2025 and did not perform any analysis relating to an early shutdown.⁷ The Commission decision approving the IRP notes that the 2024 and 2025 retirement dates should continue to be “an assumption” for purposes of “meeting the electric sector emissions targets by 2030.”⁸

The IRP proceeding is focused on the replacement resources needed to ensure that the upcoming retirement of Diablo Canyon, regardless of when that occurs, will not result in an increase in the Greenhouse Gas Emissions associated with the electric sector.⁹ While the exact timing of the retirement is an input to the IRP process, it is not an output that comes out of any analysis performed, or endorsed, by the Commission.

While the IRP process is focused on the GHG impacts of Diablo Canyon retirement, there is no evidence that the same process is designed to analyze whether

⁶ PG&E motion, pages 4-5.

⁷ PG&E 2018 Integrated Resource Plan, August 1, 2018, pages 9-10, 74-77 (https://www.pge.com/pge_global/common/pdfs/for-our-business-partners/energy-supply/integrated-resource-planning/2018-PGE-Integrated-Resource-Plan.pdf)

⁸ D.19-04-040, Conclusion of Law 25.

⁹ D.19-04-040, pages 147-148 (“By utilizing the assumption that the two Diablo Canyon units will retire in 2024 and 2025, as we did with the formulation of the RSP adopted in D.18-02-018, we are already planning for the emissions impact of that action. Analysis conducted leading up to the issuance of D.18-02-018 showed that the electric sector will still be on a trajectory to satisfy the 2030 GHG emissions target even with the retirement of Diablo Canyon. Stated another way, the retirement of Diablo Canyon will not prevent the electric sector from meeting its portion of the statewide GHG obligations between now and 2030.”)

proposed utility investments in Diablo Canyon are cost effective in comparison with an alternative involving an earlier retirement date.

Since the IRP process does not include any critical evaluation of costs relating to Diablo Canyon, PG&E's motion seeks to establish the principle that the Commission may not review, in any proceeding, the reasonableness of all spending deemed necessary to allow Diablo Canyon to operate through the end of its current licenses. Taken to its natural conclusion, PG&E's position would guarantee the recovery of unlimited future costs relating to Diablo Canyon so long as the utility could demonstrate that the failure to spend this money would result in a shutdown of the units prior to the 2024/2025 assumption used in D.18-01-022 and D.19-04-040. Parties expressing concerns with a massive new investment or expense would have no forum in which to oppose the spending. The embrace of this absurd outcome would make a mockery of the Commission's continuing obligation to ensure that all utility spending is just and reasonable.

IV. CONCLUSION

TURN urges the Commission to deny the motion and allow both A4NR and TURN to propose disallowances in this case based on PG&E's failure to demonstrate that capital and expense spending on Diablo Canyon is cost-effective in light of available alternatives (including early shutdown).

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Respectfully submitted,

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