

SAN ONOFRE • At least 3 consumer groups want NRC to reject deal

FROM C1

At least three consumer groups, which were excluded from negotiations with Edison and minority plant owner San Diego Gas & Electric, are urging California regulators to reject that deal.

They argue it would make customers responsible for the bulk of the economic consequences of the plant's breakdown before any public deliberations about whether the utilities acted prudently.

"It evades the examination of the reasonableness of the conduct of the Southern California Edison executives when they deployed a defective steam generator after they had red-flag notices that there were problems with the design and they circumvented the review process," said attorney Michael Aguirre, working as an advocate for San Diego-area utility customers.

Safety citation

Edison was cited by nuclear safety regulators in December for failing to properly check the design of the faulty steam generators that disabled San Onofre, without sanctions. Edison says generator manufacturer Mitsubishi Heavy Industries of Japan alone is to blame.

The Nuclear Regulatory Commission continues to investigate whether Edison supplied complete and accurate information to the agency regarding the steam generator project.

Lutz says a fair deal would deny Edison recovery of its remaining plant assets, leaving the company to pursue insurance and warranty claims on its own.

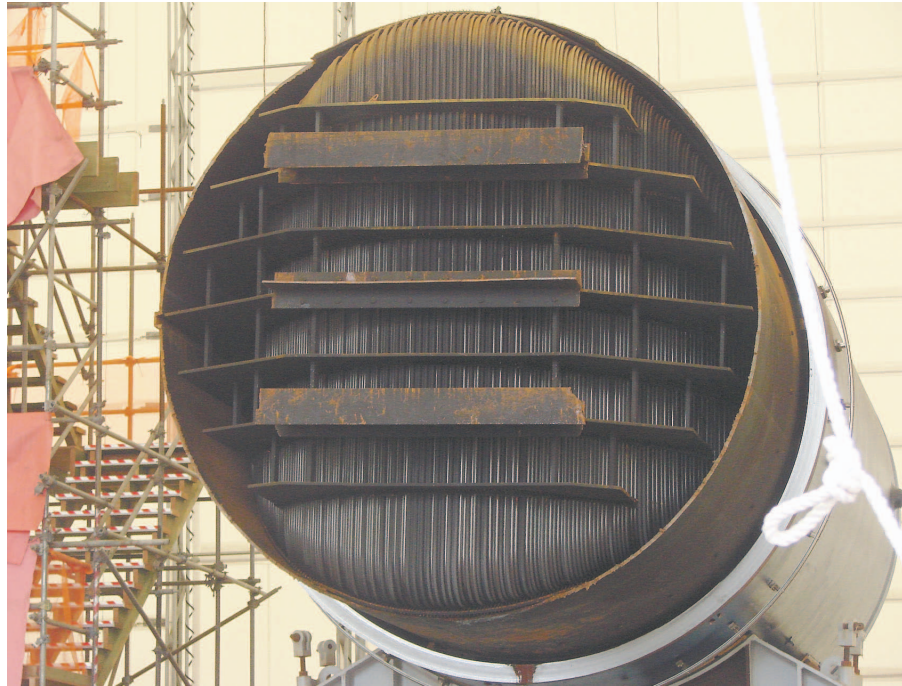
Initial plant investments from the 1970s and '80s were paid off long ago, he argues, and more-recent repairs and upgrades were made with the expectation that new steam generators would endure for several decades.

That bargaining stance cannot be supported by legal and regulatory precedent, according to Matthew Freedman, the attorney for The Utility Reform Network who helped broker the current settlement proposal.

"If it was possible to convince the utilities in a settlement to eat all of the plant costs, we would have gotten that," he said. "There's just no way to get that outcome. There is no way the commission would order that. And you might say that's completely unfair. My response would be, that's utility regulation."

Freedman draws his conclusions from the text of California utility commission decisions on other power plants that were abandoned because of mechanical and safety failures or environmental violations, including the coal-fired Mohave Generating Station in Laughlin, Nev., and the Humboldt Bay nuclear plant in Eureka.

The so-called "regulatory compact" between the state of California and monopoly investor-owned utilities it regulates places limits on profits in return for a "reasonable opportunity" to recover their costs, Freedman explained.



A steam generator at the shuttered San Onofre Nuclear Generating Station, with its steam dome removed. Faulty generators manufactured by Mitsubishi Heavy Industries in Japan were chiefly responsible for the plant's shutdown in 2012. SOUTHERN CALIFORNIA EDISON

In practice, that means customers seldom if ever escape paying for underlying power plant investments, he said. In rare instances, investors are denied profits on those investments.

'Double dipping'

Customers historically have been protected from paying for both replacement power and to operate a plant that is not producing power when the operator is at fault, according to Freedman.

The utilities "can't get the full operating cost of the plant as if it were operating perfectly, you can't get those costs and the replacement costs at the same time."

On this account, too, the settlement proposal fails to protect customers, Lutz said.

"Either you pay for the plant or you pay for power," he said. "If you pay for both, it's like you're double dipping."

Customers would pay for all replacement power — an estimated \$617 million — for the period when Edison was attempting to repair and restart San Onofre.

Costs for the plant operations, maintenance and repairs worth \$940 million also would be borne by ratepayers, while utility investors cover about \$100 million in cost overruns during 2012.

The settlement proposes to save ratepayers money by reducing the profits due to investors by \$250 million for the mothballed plant. That consumer tab would still total about \$1.36 billion.

Utility customers also would pay for nearly \$500 million in unused nuclear fuel purchased by Edison, but receive the majority of proceeds as that fuel is sold off at a discount along with



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assorted plant equipment. Customers stand to receive some money back from nuclear outage insurance claims and damages sought by Edison and SDG&E from generator manufacturer Mitsubishi through binding arbitration.

The plant owners would share in those proceeds, as an incentive to aggressively pursue claims.

'Not pushovers'

Edison said the settlement would result in a \$730 million write-off. SDG&E expects to cut its losses with a \$187 million impairment charge.

(Customers already have paid for the dismantling of San Onofre by setting aside billions of dollars in a decommissioning trust fund.)

Aguirre of San Diego said the settlement strays far from the core mission of the utilities commission: to protect customers from unreasonable rates.

Defending the settlement, Freedman said, "We're not pushovers, we're trying to get the best deal possible."

The current proposal has satisfied some specialty interest groups.

The Coalition of California Utility Employees, representing several unions, has said yes to the settlement that explicitly bills customers for severance packages to laid-off plant employees.

The deal has been embraced by the U.S. chapter of the international environmental group Friends of the Earth, which has strived to shut down California's nuclear reactors out of safety concerns.

The San Luis Obispo-based Alliance for Nuclear

Responsibility, meanwhile, will oppose the settlement. Several other consumer and special interest groups have yet to respond.

The utilities commission plans to hold evidentiary hearings on the settlement in San Francisco in mid-May. Parties to the settlement are expected to make their case for a settlement to the public at a meeting near San Onofre in June.

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