Our Nuclear White Elephant

Diablo Canyon seeks to justify its existence

Community Choice Energy programs are weighing an offer by PG&E "to sell Carbon Free Energy to eligible Load Serving Entities."

Translation: If Community Choice Energy programs accept a share of Diablo Canyon's energy "attributes"—so-called carbon-free energy allocations calculated as part of their energy portfolio -- the plant can keep running despite the massive amounts of money it's costing ratepayers to keep it open.

PG&E estimates the deal will save a Community Choice program five to seven million dollars in energy procurement costs. Therein lies a tale, which goes by the unlikely name of "Power Cost Indifference Adjustment" (PCIA), the money that utilities are allowed to charge Community Choice programs to make up the difference as the ratepayers of investor-owned utilities leave them for Community Choice and the utilities have to make of the loss for the cost of power it purchased but no longer needs. Per the California Alliance for Community Energy, "In order to compete with the monopoly utilities, Community Choice programs have little choice but to offset the PCIA charge on their customers' bills. This cost-shifting undermines the financial viability of Community Choice programs and deprives them of significant revenue that could otherwise be used to provide customers with demand reduction and renewable energy products and services. PCIA cost-shifting creates a perverse incentive for monopoly utilities to game the system to undercut competition from Community Choice [by entering into] excessive, costly, long-term electricity contracts rather than forecast more accurately so as to minimize potential losses."

Will nuclear energy credits really save $5 million in savings for Community Choice programs that take the offer? Not likely, says energy policy consultant Robert Freehling. "The 'savings' is based on guessing power market prices in future months, which carries some risk that it may not pan out as expected--it could be worth more, or it could be worth less--but since CCA staff keep the price of the power purchase confidential it is difficult to verify, and the claimed savings assumes that there are no reputation costs in the form of loss of goodwill, loss of customers, or expensive damage control/PR efforts."

"We understand that Community Choice agencies feel under pressure by the skyrocketing PCIA to try to save some money," said Al Weinrub of the California Alliance for Community Energy, "but buying nuclear energy is an approach that actually undermines Community Choice goals as well as efforts to fend off the PCIA."

Freehling notes that the offer of free energy credits to CCAs by PG&E "is not 'free' but rather includes the cost of wholesale power, plus a gag order on CCAs as consideration/payment to PG&E, plus the CCA's tacit support for the expensive and dangerous continued operation of Diablo Canyon."

“As millions of people have moved to CCAs, PG&E has been *dumping their renewable energy* as fast as they can in order to justify keeping Diablo Canyon in the utility's shrinking need for electric power. Rather than replacing nuclear with renewables, PG&E has been replacing renewables with nuclear.

“But now PG&E can't get rid of much more renewable energy without violating the state law requiring a third of their electricity sales be from these cleaner sources, and demand for PG&E's electricity is continuing to shrink. That is why they need CCAs to take the surplus. While descriptions of this proposal keep changing and are sometimes unclear, the new anti-green deal appears to be cleverly constructed carbon and nuclear laundering”

“Any CCA could develop local clean energy without this so-called ‘additional $5 million’ from PG&E's nuclear plant,” Freehling says. “Behind the $5 million "savings" for one CCA, is actually ***$1.2 billion per year in stranded costs,*** paid by CCA and PG&E customers, for continued operation of Diablo Canyon, which CCAs should be pushing to close, or at least no longer be forced to pay for, if they were truly advocating for the greater interests of their customers.

“If anything bad happens to Diablo, any CCA taking this deal will no longer be victim, but rather will now be on record with their board votes and power content labels clearly showing they are collaborators with (yet another) PG&E disaster, willing partners with a bankrupt and criminal utility running a nuclear plant subject to extraordinary risks.

“The parties at the CPUC (including Alliance for Nuclear Responsibility, Women’s Energy Matters and TURN) made the effort in the current General Rate Case proceeding to document PG&E's failure to do cost-effectiveness studies for its decision to keep the plant running,” Freehling writes. CCA and PG&E customers, he concludes, “are now subsidizing PG&E's commercial decisions that have created $1.25 billion per year in stranded costs, for a ‘product’ that is not needed by existing CCAs, and every year is less needed by PG&E's dwindling remaining customers.”

This Deal is Radioactive

By John Geesman

Some pertinent facts about the Diablo Canyon Nuclear Power Plant have emerged recently from proceedings at the California Public Utilities Commission.

PG&E has acknowledged in data responses to the Alliance for Nuclear Responsibility that Diablo Canyon’s annual “above-market costs” -- as calculated by the CPUC’s Power Charge Indifference Adjustment (PCIA) -- have soared to $1.258 billion in 2020 (up from $1.168 billion in 2019 and $410 million in 2018).

PG&E collects the majority of these "above-market costs" through exit fees on departed customers who leave them for Community Choice Energy programs. The company's generation market share within the PG&E service territory has eroded to 43% in 2020.

PG&E told the CPUC in 2017 that in a "low load" scenario where its generation market share dropped to 44%, only 26% of the output from Diablo Canyon would be needed by PG&E bundled customers.

Diablo Canyon supplied 45% of the electricity used in 2019 by PG&E's dwindling number of bundled customers, according to the company's February 2020 filing. In the CPUC's bankruptcy investigation, PG&E's CEO admitted under oath that PG&E bundled customers could face a risk of over-dependence on a single plant: "more than 60 percent would be a problem, I think, somewhere in that range."

The California Energy Commission's current mid-case electricity demand forecast (completed before the COVID-19 pandemic) projects PG&E's bundled load from 2020—2022 at levels that indicate Diablo Canyon's annual output will comprise 61.9% (2020), 67.8% (2021), and 70.3% (2022) of the electricity used by PG&E's bundled customers.

I chaired the California Energy Commission's Renewables Committee in 2002 when we implemented AB 117 (Migden) and I recall the intense pushback from PG&E over our funding the first feasibility studies for Community Choice Aggregation. I was a primary opponent in 2010 to PG&E's $46 million ballot measure that would have imposed a voter approval prerequisite for participation in a CCA. In 2018, PG&E cleverly found a means to prop up an uneconomic white elephant by persuading the CPUC to include Diablo Canyon in the Power Charge Indifference Adjustment, and that cross-subsidy is the only thing keeping the plant operating today.

Now, to stave off economic obsolescence for a short while longer, PG&E approaches its former nemeses (the CCAs) with offer of a "free" gift of excess nuclear power.

I trust that people with common sense will see through that ruse and will reject it. Nothing from PG&E is ever "free." They're not in that type of business. While any CCA program that is under the heavy burden of the PCIA -- the money that PGE's former customers have to pay for the pleasure of leaving -- and seriously considering the offer wouldn't be the first hostage to be seduced by its captor, a more productive response to the unjust cost predicament of Community Choice programs would be to utilize their latent strength in Sacramento to have Diablo Canyon statutorily removed from the PCIA.

John L. Geesman, Dickson Geesman LLP, has represented the Alliance for Nuclear Responsibility ("A4NR") in state regulatory proceedings concerning Diablo Canyon since 2011.

Some Quick Thoughts on Diablo

by Harvey Wasserman

A major national confrontation is brewing over whether nukes can continue to run during the Pandemic. Who will run them as the workers face infection and drop off the work force? that skilled labor pool is limited, and could go dry.

With 90+ reactors around the country, how will the traveling workforce that refuels and repairs them hold up? What about attrition?

More than a thousand itinerant workers come into a nuke like Diablo for repairs & refueling. Who will test them for the virus? How many of them will be infected?

Diablo reactor #1 is slated to be refueled in the fall, when the pandemic is expected to re-surface; does SLO town/county want to welcome a thousand (non-union) workers? Will they be tested as they arrive? Where will they stay? Who will treat them when sick?

Using PG&E's own numbers, John Geesman estimates diablo is costing CA ratepayers $3.44 million a day (that's not a typo) in over-market charges (mostly because solar/wind are so much cheaper).

Because PG&E has lost 57% of its customers, more than half those paying Diablo's over-market rates may not even be PG&E customers anymore (most are probably in CCAs).

The IBEW represents about 500 workers at Diablo; the state could pay each one $1million a year to do nothing & still come out way ahead.

PG&E is now convicted of 85 new involuntary manslaughter felonies, on top of the ones from San Bruno in 2010. Will NRC regulations against criminals running nuclear reactors apply to PG&E at Diablo?

PG&E's Northern CA victims may reject the bankruptcy settlement, making a state takeover ever more likely. How will the Diablo "asset" be appraised without inspecting the reactors?

If the state takes over PG&E, who will run Diablo? Why?

Maybe some of these questions should be asked of the governor. Certainly, SLO city and county governments should worry about all those workers arriving in the age of coronavirus.

You can reach Harvey Wasserman at solartopia@me.com, solartopia@gmail.com, www.harveywasserman.com, www.solartopia.org, or on Twitter at #Solartopia.