

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

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.

Rulemaking 12-03-014
(Filed March 22, 2012)

**TECHNICAL COMMENTS OF FRIENDS OF THE EARTH
ON ENERGY DIVISION PROPOSED SCENARIOS**

Friends of the Earth (FOE) provides these comments to emphasize the importance of prioritizing near-term nuclear retirement scenarios and sensitivities in Energy Division's (Staff's) August 2, 2012 Proposed Scenarios. FOE's comments are filed pursuant to the May 17 and June 27, 2012 Scoping Memo and Commissioner's Ruling.

The recent outages and equipment failures at the San Onofre Nuclear Generating Station (SONGS) require Staff to place top priority on how SCE and SDG&E can supply their load in a cost-effective and environmentally sensitive manner in the absence of the 2,200 MW SONGS plant.

I. STAFF SHOULD INCLUDE THE SENSITIVITY 1B NUCLEAR RETIREMENT ASSUMPTION IN THE BASE CASE SCENARIO AND IN EACH BASE CASE SENSITIVITY.

The Base Case scenario, and each sensitivity analysis performed on the Base Case, should explicitly incorporate the Sensitivity 1B assumption as to SONGS.¹ Currently, the Base Case scenario includes a low-retirement assumption, meaning Staff will not only assume that SONGS will continue to operate *at maximum capacity* through the end of its license in 2022, but also that it will be re-licensed at maximum capacity.² Such continued operation is unlikely given the January 31, 2012 outage that was caused by a reactor coolant leak and the massive additional costs to be incurred if SONGS is operated long term.

A SONGS restart requires the U.S. Nuclear Regulatory Commission's (NRC) approval of a new SCE operations plan, as well as independent NRC verification that the plan will ensure safe and reliable operation.³ That ongoing NRC investigation, a likely CPUC Order Instituting

¹ Under Sensitivity 1B, the assumption is that SONGS will be permanently shut down by January 1, 2015. See, *Energy Division Proposed Scenarios for Use in R.12-03-014*, pages 14-15 (August 2012) (Proposed Scenarios).

² Proposed Scenarios, at page 13.

³ See, *NRC Issues Augmented Inspection Team Report on [SONGS] Steam Generators*, NRC Press Release, page 2 (July 16, 2012) (stating "[SONGS] will not be permitted to restart until [SCE] has developed a plan to prevent further steam generator tube degradation and the NRC independently verifies that it can be operated safely.").

Investigation of SONGS in November 2012,⁴ and the recently announced layoffs of 730 employees at SONGS⁵ all point to the likelihood that SONGS will never return to full operation, even if it is not shut down permanently. SCE has even conceded that the long term viability of the plant is in question.⁶

If SONGS were to remain in operation beyond January 2015, the plant will be subject to multiple, very expensive upgrades, including upgrades to the failed steam generators, upgrades to address seismic concerns and upgrades to address the State Water Resources Control Board's restrictions on the use of once-through cooling, as well as other costs. It is FOE's intent in this proceeding to demonstrate that the energy that has, until early this year, been generated by SONGS can be provided by a mix of alternative resources (including energy efficiency, demand response and some additional renewable generation and storage) at a cost that will be significantly less for ratepayers than the total cost of generation from a fully retrofitted SONGS.⁷

For the foregoing reasons, the "low-retirement" assumption in the Base Case⁸ is no longer plausible, and Staff should reduce SONGS' expected lifetime in the Base Case. FOE accordingly recommends that the retirement assumptions outlined in Sensitivity 1B should be used both in the Base Case itself and in any sensitivity analysis performed on the Base Case.

Such a change in assumptions is consistent with Staff's intent in running a Base Case scenario. Staff states that the purpose of the Base Case is to consider a scenario where "[a]ll current policies are assumed be maintained or extended with little change in current practices and achieve results consistent with current achievement and forecast expectations."⁹ That is, Staff asserts the Base Case should change only if California policy changes. State policy emphasizes the cost-effective operation of nuclear plants. However, as a result of the plant's recent problems, continued future operation of SONGS will not be cost-effective. Therefore, the current Base Case assumption of SONGS' indefinite operation at maximum capacity is unreasonable and must change.

⁴ *Draft Order Instituting Investigation Regarding San Onofre Nuclear Generating Station Units 2 and 3*, listed as Item 5 on the Commission's August 2, 2012, Business Meeting Agenda (Draft OII). The Draft OII can no longer be found on the CPUC's website, but it can be found online at: http://kpbs.media.clients.ellingtoncms.com/news/documents/2012/07/06/San_Onofre_Investigation_OII_draft_168791.pdf. President Peevey's comments at that meeting indicated the OII will be issued in November 2012.

⁵ *Southern California Edison Announces Intent to Downsize Staffing at San Onofre Nuclear Generating Station*, SCE Press Release, (August 20, 2012) (stating initially that the layoffs were planned before the outages at Units 2 and 3, but then stating "steam generator issues at SONGS also require that SCE be prudent with its future spending").

⁶ See, *Southern California Edison Announces Intent to Downsize Staffing at San Onofre Nuclear Generating Station*, SCE Press Release (August 20, 2012) (stating regulators are reviewing the "long-term viability of the nuclear plant" and "the reality is that the Unit 3 reactor will not be operating for some time").

⁷ FOE will provide a detailed version of this demonstration in the Policy Comments to be submitted in this proceeding on October 1, 2012.

⁸ See, *Planning Assumptions for use in R.12-03-014*, pages 22-23, Attachment to *Assigned Commissioner's Ruling on Standardized Planning Assumptions* (June 27, 2012).

⁹ Proposed Scenarios at 14.

II. HIGH NUCLEAR RETIREMENT SENSITIVITIES SHOULD BE THE TOP MODELING PRIORITY.

Staff noted at the August 24, 2012 Workshop that modeling resources will be scarce, meaning that some of the scenarios and sensitivities noted in the Proposed Scenarios may not be modeled. However, the high likelihood of the long-term (and possibly permanent) loss of a 2,200 MW plant in a critical load center demands that Staff prioritize Sensitivity 1B above all other Base Case sensitivities and all other scenarios.

This LTPP proceeding is the one forum in which the Commission can determine whether the future operation of SONGS will or will not be cost-effective while at the same time providing timely guidance to the utilities under its jurisdiction regarding those cost-effective alternatives to SONGS that can be implemented or procured in a timely and manner. It is therefore essential that the Staff affirmatively analyze in this proceeding Sensitivity 1B, which is the only one of the Staff's Proposed Scenarios that will allow the Commission to provide the customers of the utilities that it regulates with protection from the billions of dollars of capital upgrades (as well as from the inevitable and huge cost-overruns associated with such upgrades) that the future operation of SONGS will certainly entail.

CONCLUSION

A proceeding aimed at planning for the long-term procurement of resources must prioritize modeling the likely de-rate, if not shut down, of a 2,200 MW nuclear plant in the middle of a critical load zone. The assumptions in Sensitivity 1B best represent that likelihood and should be included in the Base Case and all Base Case sensitivities. Prioritizing other scenarios or sensitivities that assume full operation at SONGS is unreasonable.

Respectfully submitted,



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