



Overseer's Undercurrent The Dog's Nose in the Cat's Door

October 27, 2006

Surely, you've heard the proverb about the camel's nose under the tent. This is a story about the dog's nose in the cat's door.

Back when our German shepherd pup Samwise was about half his current size and 35 pounds of mischief, he learned that the cat's food tasted even better than his own kibble. Once he'd finished his dinner, he'd bolt over to her dish and have dessert. Since Sassy was not the sort of kitty to gulp down her meals as soon as the plate hit the floor, we had to find a place for it that would be accessible to her when she was finally ready to eat but safe from Sam.

Tables and countertops did not work, as Sam already knew how to stand on two legs. Our solution was to put the cat's food on a stairway that happened to have a door right at the foot of the steps, and to cut a square hole in the bottom of the door. That way, Sassy could come and go as she pleased, but Sam couldn't.

Or so we thought.

Sam knew where his dessert lay, and every so often while I was coming down those stairs from my upper office, I would see his nose poking through the hole, sniffing at the plate that sat just out of reach. Soon enough, he realized he could fit his entire head through the aperture and strain to get just a little closer.

Then one day, I heard a yelp. From the top of the stairway, I saw not just Sam's head but half of his body, front legs and all, coming through the opening. He was stuck and couldn't go forward or backward.

Right about now, you should be asking, "What in the world does this have to do with energy policy?" I call it a metaphor for nuclear insinuation.

Our resident nuclear-owning electric utilities are a bit like the ever-hungry Sam was. They've had their meals of capital-cost recovery and rate-based operations, with side dishes of performance-based pricing and stranded-cost recovery to boot.

And even though they've successfully argued for about \$1.4 billion in additional costs related to steam-generator replacements in order to keep the gravy train rolling through the end of their current license periods, they are licking their chops at the thought of dessert, in the form of license extensions.

Some differences: Sam doesn't think much further ahead than his next meal or walk, while the nuclear utilities plan for continuous meals of ratepayer funding that stretch for decades into the future. New steam generators will allow Diablo Canyon and San Onofre to operate into the 2020s. License extensions could well carry that out for another 30 years.

Another difference: It's us who will get stuck - footing the cost for new components to keep the plants alive indefinitely. Not just for the steam generators, but tubes and piping and reactor vessel heads and on-site waste storage and whatever else it will take.

Not long ago, Circuit's editors ran an estimation that this \$1.4 billion investment in continued nuclear energy will actually run up a bill for \$37 billion over time - give or take a few billion (Circuit, Nov. 18, 2005).

It's a very canny (canine?) game the utilities play with regulators and ratepayers. Approval for construction at a specified capital cost? Oops, cost overruns of up to 10 times the approved figures; maybe we should be paid by our performance (based on some pretty low expectations). Well, what do you know? Performance suddenly improves dramatically. Then, as part of the restructuring deal,

nuclear plants are supposed to come out of rate base and consumers are promised they will never have to pay another dime for additions, improvements, or replacement parts, in return for a big helping of stranded-cost "headroom." Market failure and utility bankruptcy? Can't let that hurt the nuclear operations, so before you know it, the plants are right back in rate base. Now, gee, it looks like we really do need to replace the steam generators 15 years earlier than expected.

And you know, what with global warming and volatile gas prices, it would be a shame to just close down these plants, especially now that they're going to have brand-new steam generators. So, how about some more money so we can justify going after a license extension, please?

And every time consumer advocates and nuclear-free proponents question the plan, or demand a real cost-benefit analysis, they're told that the end game they warn against is not relevant to the case at hand. We're just doing a necessary expansion of the spent-fuel storage pool, or a minor \$700 million refurbishment, or a feasibility study - just in case.

And by now, we're well more than halfway through the cat door we've carved out.

Currently on the California Public Utilities Commission's plate is a settlement of Pacific Gas & Electric's general rate case. It's a big, big case with a bunch of money for a lot of necessary things. But it also offers PG&E \$19 million to conduct a feasibility study of Diablo Canyon license extension - about a decade before we need to ask that question and light-years before we can even determine what the full price tag will be.

At the same time, there is now in state law via Assembly Bill 1632 a requirement that the California Energy Commission evaluate the potential consequences to power system reliability, public health, and the economy if something major happened to our biggest power stations of 1,700 MW or greater (read nuclear facilities), predict what the costs and impacts of further accumulating nuclear waste might be, and generally assess policy and planning issues affecting the future role of nuclear power plants.

This study won't be complete before November 2008. The PG&E rate case will be finalized before the end of this year.

Does it make any sense at all to let PG&E spend \$19 million on getting ready for license extension before we decide whether we really want, need, or can afford to keep these nuclear power plants?

I don't think so, but then, I'm not a hungry dog like Sam.
- Arthur O'Donnell

[Arthur O'Donnell](#)