

**For IMMEDIATE RELEASE APRIL 24, 2014**

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# **EXPOSED: Cost of utility bailout will exceed \$456 per meter or almost \$200 per man, woman, and child in the San Onofre Service area.**

## **Citizens can stop the fraud by calling their elected officials**

Today, the attorney for Ruth Henricks and Southern California ratepayers filed a motion with the California Public Utilities Commission (CPUC ) demanding a public investigation into the costs and the decision-making process that created the \$3.3 billion in nuclear debts that will be shouldered by Southern California Edison and San Diego Gas & Electric customers.

At today's press conference, Henricks' attorney, Mike Aguirre, thanked the media for covering the fact that a proposed settlement that was touted on March 27 as "\$1.4 Billion refund" will actually cost consumers \$3.3 Billion. Thanks to local TV, newspaper and radio coverage, the fraudulently-billed settlement was widely exposed as a bailout plan forged between the utilities, their unions, and other special interest groups such as TURN, the Utility Reform Network.

"I want to thank ABC, KUSI, San Diego 6 News , The San Diego UT, KPCC, KPBS, KNX radio / CBS Los Angeles, the Orange County Register, LA Biz, and many others for exposing this fraudulent claim. **Without the media exposure, that gets people calling their state elected officials, this deal is still very likely to get approved,**" said Aguirre.

According to Aguirre, the biggest problem with the proposed settlement is that the CPUC has prevented legitimate critics of the ratemaking process to participate in public hearings. Instead, the CPUC judges met secretly with SCE and SDG&E executives and then authorized secret, non-public negotiations between the utilities, unions, a union front group, and two other groups who lacked experience in evaluating utility fraud. The result of the secret meetings was a deeply flawed \$3.3 billion bailout that was cleverly disguised as a refund. "Fortunately, the media saw through this sham," said Aguirre.

**Today's press conference highlighted four reasons why the public demand a review of the proposed \$3.3 billion bailout:**

**1) Top SCE executives have been promised anonymity**

The CPUC has refused to identify the names of the individuals at SCE that were responsible for installing nuclear generators that they allegedly knew in advance were defective. Because these individuals have been allowed to remain anonymous, it is impossible for investigators to cross examine them.

**2) Independent investigators were denied access to critical evidence**

The Administrative Law Judges at CPUC have stopped investigators from examining the evidentiary record of internal e-mails and documents that are vital to any utility rate making investigation.

**3) Legally-mandated public hearings avoided**

As a part of the cover-up, Administrative Law Judges at CPUC have delayed legally mandated hearings that would determine if the \$3.3 billion SCE and SDG&E bailout is reasonable and justifiable. State utility law requires that all electric utilities must justify the reasonableness of their rates in open and public venues called “reasonableness hearings.” If this settlement is approved, there will be no investigation of the reasonableness of the increase, and more importantly, no investigation of the executives who, as evidence suggests, may knowingly installed defective nuclear generators that risked the health and safety of millions of Southern California citizens.

**4) Suppression of critical evidence**

The Administrative Law Judges at CPUC have refused to allow independent investigators access to discovery of critical internal e-mails and documents that are vital to any utility rate making investigation.

## **Sham public hearings**

In response to the widespread media exposure of the flawed ratesetting hearings, officials at CPUC have proposed to hold public hearings in Southern California, but according to Aguirre, these same officials are refusing to give equal time to the critics of the San Onofre Bailout.

“The proposed hearings are just a sales-pitch,” says Aguirre, “they are a dog and pony show designed to give the illusion that there is an open public debate. The truth is the Commission is refusing to allow voices critical to the bailout to be heard in a public venue.”

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## San Onofre Media Kit and False Claims Fact Checker

The Media Spin	True	False	The Reality
The cost of the proposed SCE bailout is minimal, only a few cents on every bill for the next ten or twenty years.		✓	The average "bailout cost" per meter in the SCE and SDG&E service areas is \$456.00 or almost \$200 for every man woman and child ( <a href="#">source 1</a> , <a href="#">source 2</a> ). <sup>1</sup>
Why and what went wrong at the San Onofre Nuclear Generating Station (SONGS) has been thoroughly investigated.		✓	The investigation was limited to how much money was spent trying to install and repair the failed generators. Multiple legal demands for an investigation into what went wrong have been blocked by CPUC.
Top SCE administrators had no idea that the generators they were about to purchase from Mitsubishi Heavy Industries (MHI) were defective and posed a health danger to millions of ratepayers.		✓	On Feb 6, 2014, U.S. Senators Boxer and Markey cited leaked documents from MHI proving that SCE executives knew the generators were unsafe before they were purchased. Source = <a href="http://ow.ly/w5taG">http://ow.ly/w5taG</a>
Investigators for the public have been allowed to interrogate the SCE executives who knowingly installed the defective nuclear generators.		✓	The names of the people who risked the lives and safety of millions by intentionally installing defective parts are secret: CPUC officials are refusing to allow them to be identified or interviewed.
Investigators have been granted full access to internal SCE reports and memos on the safety and cost of the failed nuclear generators.		✓	The appointed bureaucrats at CPUC have denied investigators all access to internal SCE documents.
There is no law that says a utility must justify the "reasonableness" of its rates in public hearings before those rates are passed on to utility customers.		✓	Reasonableness hearings are required by law, but in this case CPUC has refused to schedule them. Instead they are hoping that an unlawful out-of-court settlement that increases rates will be allowed without protest.

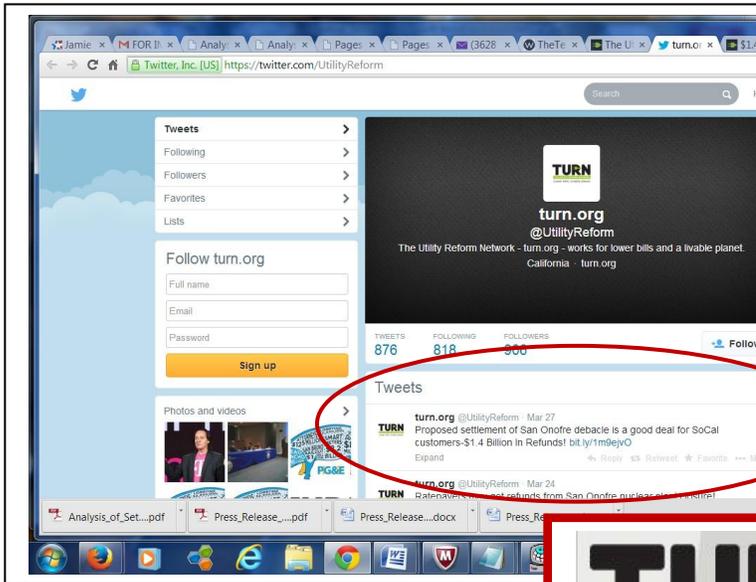
<sup>1</sup> Average costs are based on an estimated 17.3 million customers in the SCE and SDG&E service areas with the average meter serving 2.35 humans. \$3.3 billion divided by 17.3 million = \$194 per person. \$194 x 2.35 meters = \$455.90 per meter.

<b>The Media Spin</b>	<b>True</b>	<b>False</b>	<b>The Reality</b>
Customers will get a \$1.4 billion refund if the settlement is approved.		✓	The proposed settlement will cost ratepayers at least \$3.3 Billion or roughly \$200 for every man, woman and child in the utilities' service areas.
SCE's rates are competitive.		✓	SCE charges the highest rates in the USA According to the latest survey by JEA Source - <a href="http://ow.ly/w62pc">http://ow.ly/w62pc</a>
Details of the negotiated settlement are public.		✓	At no time were critics of the SCE bailout program allowed to participate or observe the negotiations. Only a hand-picked few were allowed to participate.
The proposed settlement is approved by all ratepayer advocates.		✓	The majority of ratepayer advocates were locked out of the secret negotiations. Citizens Oversight, which participated in the deal has withdrawn its support. Source <a href="http://ow.ly/w62Su">http://ow.ly/w62Su</a>
Other than the SCE negotiators, there were no "special interests" involved in crafting the settlement.		✓	The electrical workers' unions were represented by attorney Jamie L. Mauldin, and by TURN, The Utility Reform Network
TURN, The Utility Reform Network did a great job representing the interests of SCE and SDG&E ratepayers.		✓	TURN's Chair, Carl Wood is on the payroll of the Utility Workers of America. Source 1 = <a href="http://ow.ly/w64T9">http://ow.ly/w64T9</a> Source 2= <a href="http://ow.ly/w64JQ">http://ow.ly/w64JQ</a>
TURN truthfully represented the results of its secret non-public negotiations with SCE ratepayers.		✓	TURN joined SCE and SDG&E in lying about the proposed settlement by stating that it represented a "\$1.4 Billion refund." When TURN was informed that the claim was fraudulent it backpedaled by retroactively changing the wording on its Web site ( see attached screen captures pgs 5 & 6)
I can trust the California Public Utilities Commission to protect my best interests as a ratepayer.		✓	The current President of the Commission is Michael Peevey, the former SCE CEO. Peevey frequently accepts lavish rewards from grateful utility lobbyists. Source1 = <a href="http://ow.ly/w7vab">http://ow.ly/w7vab</a> Source2= <a href="http://ow.ly/w7vOJ">http://ow.ly/w7vOJ</a> Source3 = <a href="http://ow.ly/w7wbd">http://ow.ly/w7wbd</a>
California Public Utilities Commission is holding PUBLIC HEARINGS so all sides of the bailout can be heard.		✓	The tentatively scheduled "public hearings" have forbidden critics of the settlement to make their case. The truth is that these hearings are a public snow job.

# How TURN back-pedaled on its \$1.4 billion in refund claim

On March 27, TURN, The Utility Reform Network, touted that it had successfully negotiated \$1.4 billion in refunds related to San Onofre. In reality, TURN had negotiated a \$3.3 billion rate increase that will cost every SCE and SDG&E meter an estimated average of \$456.00 per electric meter, or roughly \$200 each for every man woman and child in the utilities' 17.3 million customer territory. When TURN was informed that their claim of a refund was fraudulent, it retroactively changed the wording on its press releases and social media sites.

## Screen capture of the Twitter feed:



## Screen Capture of Web site



"Suddenly" TURN's Web site goes offline on the 28<sup>th</sup> of March. When it returns on April 2, all mention of \$1.4 BILLION in refunds are removed ... YET the date on the obviously edited document still reads March 27, not April 2.

Date: March 27, 2014



TURN believes no one should be cut off from essential electricity, gas or phone service. We hold utility corporations accountable by demanding fair rates, cleaner energy and strong consumer...

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# \$1.4 Billion In Savings Is A Good Deal For Customers!

## Agreement Over San Onofre Would Save Customers \$1.4 Billion

For Immediate Release From The Utility Reform Network

Thursday, March 27, San Francisco -- TURN and the Office of Ratepayer Advocates have reached an agreement with Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E) that would relieve customers of bearing the costs of failed steam generator tubes at the San Onofre Nuclear Generating Station (SONGS). SONGS, located south of San Clemente, went offline in January 2012, after water leaks in its steam generator tubes were detected. It was later revealed that hundreds of other new steam tubes were also malfunctioning due to a faulty design, and that the plant's safety was compromised.

Under the proposed settlement, customers would pay about \$1.4 billion less than SCE and SDG&E wanted. Consumers would see the bulk of the reductions in the first few years with the remainder occurring through 2021. Most notably, ratepayers would not pay for the defective steam generators beginning on February 1, 2012 -- one day after Unit 3 had to be taken offline. Shareholders of SCE and SDG&E would be responsible for their entire unrecovered investment in the plant as of that date.

*"The proposed settlement represents a huge win for consumers," said TURN staff attorney Matthew Freedman. "It will hold utility shareholders accountable for the fiasco at SONGS and expedite refunds to customers. Ratepayers have been paying for the costs of Edison's mistakes at SONGS for over two years," Freedman said. "That's long enough."*

The basic terms of the settlement are as follows:

- SCE customers would receive refunds of approximately \$480 million by the end of 2014. SDG&E customers would receive 2014 refunds of approximately \$121 million.
- SDG&E and SCE would refund 100% of the money they have collected from customers since February 1, 2012 for the replacement steam generators and be precluded from charging customers for any of their remaining investment after that date. Shareholders of SCE would also be prevented from charging ratepayers for their remaining investment of \$597 million, which, after unrealized profits, rises to \$696 million. SDG&E shareholders would be prevented charging ratepayers for their remaining investment of \$160.4 million, which, after unrealized profits, rises to \$221 million.
- Utility investments in the base plant (not including the steam generators) would be recovered over 10 years beginning on February 1, 2012 with no return on shareholder equity, only 50% of the authorized return for preferred stock and the actual cost of debt. For 2014, the overall return would be 2.62% for SCE and 2.35% for SDG&E. Compared to the litigation proposals of the utilities, this treatment results in a \$300 million savings for SCE ratepayers and a \$52.5 million savings for SDG&E ratepayers.
- SCE and SDG&E would refund any money collected from ratepayers since January 1, 2013 in excess of the actual operational costs of SONGS.
- SCE and SDG&E would refund to customers any money resulting from the sale of excess materials and supplies along with unused nuclear fuel.
- SCE and SDG&E would not be allowed to charge ratepayers for some of the incremental costs to inspect and repair the faulty steam generators in 2012. SCE shareholders would be responsible for \$99 million.
- Customers would receive a significant share of any proceeds recovered by the utilities from Mitsubishi Heavy Industries (the manufacturer of the defective steam generators) and Nuclear Energy Insurance Limited.

TURN expects the CPUC to consider the settlement in the coming months and hopes that they will act to approve it sometime this summer. "We think this is a good deal," Freedman said. "The CPUC litigation process doesn't offer consumers any assurances. This agreement does."



Date: March 27, 2014

- Attachment:
- SCE\_ERRR\_rateimpacts.pdf
  - SCE\_PVRR.pdf Attachment:
  - SDGE\_ERRR\_rateimpacts.pdf
  - SDGE\_PVRR.pdf Attachment:
  - Settlement\_final.doc
  - Settlement\_summary.doc

Tagged Under: SONGS, TURN, San Onofre Power Plant, CPUC, TURN In The News, Matthew Freedman



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