MINORITY VIEWS OF SENATORS HATFIELD, HUMPHREY, TSONGAS AND BUMPERS

S. 1606 - THREE MILE ISLAND CLEAN-UP

The health and safety hazard at the contaminated TMI-2 reactor was three years old in March (March 28, 1979) and grows more serious as the participating utilities, the States of Pennsylvania and New Jersey, and the federal government attempt to resolve the issue of "sharing" financial responsibility for the costs of clean-up activities. While S. 1606, as amended, would put into place one element of a cost-sharing scheme, it is our strong opinion that the legislation is flawed in both its principle and its practice. In essence, we oppose S. 1606, as amended, because it: 1) weakens the credibility of the industry and impugns the integrity of the free market system by nationalizing financial liabilities which, pursuant to current industry practice, should be resolved at the regional level, and 2) compromises the basic principles of equity by shifting financial responsibility for clean-up costs away from GPU ratepayers and stockholders and onto other national nuclear utilities. Let us explain.

The accident at Three Mile Island was the most highly publicized calamity of the nuclear industry in recent years. By no means, however, has it been the only problem to plague industry officials and their associated ratepayers and stockholders. Dozens of other safety related shut-downs, and construction delays have occurred nationwide from Diablo Canyon, California to Seabrook, New Hampshire. All these incidents have incurred substantial economic losses on the industry as more expensive replacement power must be purchased. The result has been increased utility rates, lower returns to stockholders, and weakened bond ratings. More devasting losses have been incurred recently as substantial downward adjustments in electric demand projections

have forced the termination of construction on dozens of nuclear facilities across the country, the most notable being the close-out of two reactors by the Washington Public Power Supply System (WPPSS 4&5). The financial impact of terminating these two plants alone will be about $7 billion ($2.25 billion in principal plus $4.75 billion for interest over 35 years), all of which will be borne by ratepayers of one private utility and its shareholders and 88 participating public utilities in the Pacific Northwest. The magnitude of such a debt is enough to raise most participant's customers retail electric rates in the near-term on average by 20 to 50 percent. If this debt were spread evenly to the entire Pacific Northwest (Washington, Oregon, Idaho and Western Montana), it would impose an assessment of about $2,600 on every household in the region over the 35 year period. In essence these unfortunate circumstances have incurred financial and public liabilities equal to, if not in excess of, those of the accident at Three Mile Island. Yet in our above cited examples industry along with local, state and regional governments are addressing these crises through established public and private financial markets.

Notwithstanding the honorable intentions of resolving a serious health and safety hazard, it is our strong opinion that S. 1606 weakens the credibility of the nuclear industry and impugns the integrity of the free market system by nationalizing financial liabilities which, pursuant to current industry practices, should be resolved at the regional level. Moreover, no compelling evidence has come to our attention to demonstrate the inability of the affected states and utilities to shoulder the entire financial cost of TMI-2 clean-up, rather it has been an unwillingness to assume complete responsibility. On that point rests our final objection to the legislation, that is one of equity.

According to a recent GAO report, the federal government, through five different agencies has already "committed approximately $275 million during the 1979-81 period for TMI-related matters." Much of this amount was to assure safe and environmentally sound waste recovery practices through the federal regulatory process. As well, in testimony presented to this Committee, GAO Energy Director J. Dexter Peach stated that had Metropolitan Edison increased their rates by 1.0 cent/kwh at the time of the accident (about a 15.5 percent increase over 1980 rates), nearly $150 million annually could have been raised for clean-up activities, and the cost of clean-up could have been paid for by 1985. While regional customers may well be able to assume the entire clean-up costs, state PUC's have prevented utilities from charging higher rates to pay for such activities.

In a decision rendered by the Pennsylvania Public Utility Commission on January 8, 1982, the State of Pennsylvania provided for the collection of $115.7 million from Pennsylvania GPU customers, but made that contingent upon the start-up of the undamaged TMI-1 reactor. By the admission of Pennsylvania State officials and the federal Nuclear Regulatory Commission, serious doubts exist as to the future operation of TMI-1. Subsequent decisions by the New Jersey PUC have also limited payments by Penlec and New Jersey customers. In addition, President Reagan, in budget documents and supplemental letters has clearly proposed to limit the Department of Energy's portion of the clean-up related costs to $123 million of generic R&D, at least $72 million less than proposed in the cost-sharing plan.

The decisions of the regional PUC's and the President, in conjunction with the manadatory surcharge of this legislation, serve to shift the financial responsibility for clean-up away from GPU ratepayers and onto other national nuclear

utilities, their ratepayers and shareholders. The unlikely start-up of TMI-1 and the Administration's decision to limit the federal role to R&D activities may well have been understood by the Committee, but to our knowledge the implications of the above-mentioned facts on the collection of those remaining portions of the cost-sharing agreement were not fully discussed prior to reporting of the legislation. While the economic impact on individual ratepayers and shareholders may be relatively small, in our judgement serious questions of equity exist with this legislation.

In summary, notwithstanding the honorable intentions to resolve the serious health and safety hazard, it is our strong opinion that S. 1606, as amended: 1) weakens the credibility of industry and impugns and integrity of the freemarket system by nationalizing financial liabilities which, pursuant to current policies, should be resolved at the regional level, and; 2) compromises the basic principles of equity by shifting financial responsibilities of clean-up away from GPU customers and onto other national nuclear utilities when regional entities are, in fact, <u>able but unwilling</u> to assume appropriated financial responsibility. We urge others to oppose this legislation.

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