



November 27, 2017

Michael Picker, President  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**Subject: Proceeding A1608006, Proposed Decision of Pacific Gas and Electric Company for Approval of the Retirement of Diablo Canyon Power Plant.**

Dear Commission President Picker and Commissioners:

We cannot state strongly enough our concern over the Proposed Decision recently announced by the Administrative Law Judge, Peter Allen (ALJ) on November 8, 2017.

As host to a nuclear power plant for the past three decades, our community has shouldered a significant risk, which has yielded enormous benefit to millions of ratepayers in the form of carbon-free, lower-cost electricity.

Yet the ALJ's Proposed Decision guts many elements of the Joint Proposal and threatens to plunge our region – and most critically, our schools – into an economic tailspin.

The Joint Agreement outlines a carefully developed and fair plan to ensure the continued safe operation of Diablo Canyon through 2025. It also gives our region some breathing room to avoid an economic crisis at a relatively small cost to ratepayers, who will continue to benefit from Diablo for another eight years.

The ALJ does not dispute the need for mitigation funds. His concern centers on where the money would come from and at whose direction. We lack the regulatory expertise to debate these concepts. Our goal is to share our key concerns and ask that you work to

address them in your unique sphere of influence and, if necessary, work with additional governmental bodies to do the same.

If the ALJ's Proposed Decision stands, it will exponentially increase the severity of the social, environmental and economic challenges we will inherit with Diablo Canyon's closure, including:

1. **Human Impact:** The ALJ's Proposed Decision cuts off an estimated \$75 million in funding through the Essential Services Fund over the next eight years, \$36 million of which was earmarked for San Luis Coastal Unified School District, which will be hardest hit. Lost tax revenues will leave the District an \$8 million gap in annual funding, which accounts for 10% of the District's operating budget or about \$1,700 a year per student. If the Proposed Decision is upheld, it is likely to abruptly trigger school closures and significant teacher layoffs. These impacts would primarily hurt K-6 students and rip the social fabric of our neighborhood schools. Although the loss of funding is inevitable, the Joint Agreement provides a runway to plan the transition and prevent significant disruption to students, parents and teachers.
2. **Safety Impact:** Safe operation of the plant is dependent upon a well-trained, highly specialized and technical workforce. Cutting the Employee Program in half at a multi-million dollar price tag will compromise PG&E's ability to retain the best employees to ensure safe operation through the plant's remaining life. Both time and resources are necessary to ensure a safe and responsible decommissioning plan.
3. **Environmental Impact:** The plant represents more than 20% of PG&E's energy portfolio, delivering carbon-free electricity to many Californians. The loss of this clean energy source without the necessary time to develop and bring online alternative clean energy sources will result in more carbon emissions throughout the state. Furthermore, after Diablo closes, our region will be tethered to piles of spent radioactive fuel, stored adjacent to multiple seismic fault lines at the edge of the Pacific Ocean. These toxic remnants will remain in our community *indefinitely*.
4. **Economic Impact:** With Diablo's closure, our small region loses not only 1,500 head-of-household jobs and \$22 million annually in direct unitary taxes, but we also stand to lose countless ancillary jobs that support Diablo operations. In short, we face a gaping hole in our economy that would be difficult to fill under any circumstances. Moreover, we will be saddled with long-term limitations on

uses of pristine coastal land – potentially a prime asset for economic growth – due to necessary safety restrictions related to the radioactive waste.

These impacts are difficult challenges even with the Joint Agreement. Without it, we are propelled into immediate and far more severe impacts. Furthermore, the ALJ's Proposed Decision creates the significant risk of forcing a sudden plant closure, which would exacerbate the above impacts.

Also, we learned in the case of San Onofre Nuclear Generating Station (SONGS), a sudden closure can negatively affect ratepayers, and the public at large.

When San Onofre closed so abruptly, it was widely reported that the wholesale price of electricity increased 59%, and carbon emissions increased 24% when the plant was replaced, in part, by gas-fired plants. In this scenario, there are no winners, only clear losers - the environment and millions of ratepayers. Further, an abrupt closure of Diablo Canyon will undermine Governor Brown's laudable environmental objectives.

By comparison, the Joint Proposal offers renewable-energy producers and ratepayers a predictable and appropriate transition to an environmentally friendly post-nuclear future in a manner far more cost effective than a premature closure could provide.

Therefore, we submit our strong support for the Joint Proposal and ask that you reconsider the value of our role as a nuclear host community in supplying safe, reliable, affordable electricity throughout the state for the last three decades.

We urge you to consider the fact that community economic mitigation funding is not without precedent and, indeed, is considered best practice. Consider these three examples:

1. **Vermont Yankee Power Plant:** The closure of Vermont Yankee Nuclear Power Plant in Windham County Vermont resulted in an agreement that brought \$10 million in economic development for Windham County over five years, \$5.2 million in clean energy development support for Windham County and elsewhere, \$5 million payment to the state for calendar year 2015, and a \$25 million fund to ensure the site is restored after decommissioning.
2. **Coal Mine Closures:** The Economic Development Administration administers a multi-million dollar, multi-year economic assistance program for communities faced with coal plant closures and state the following about its program: *"The funding will assist locally-driven efforts to communities and regions severely*

*impacted by the declining use of coal through activities and programs that support economic diversification, job creation, capital investment, workforce development and re-employment opportunities.”*

3. **Military Base Closures:** The Federal Base Realignment and Closure (BRAC) program provides billions in funding to communities affected by a military base closure. The Department of Defense’s Office of Economic Adjustment states: *“Any change to operations on a local military installation can have an impact on the surrounding communities... a base closure, or program adjustment, these changes can disrupt the economic stability of towns and even whole states. To minimize the impacts of military operational changes, OEA provides technical guidance and expertise, as well as financial assistance to state and local governments directly affected by these changes.”*

Military base communities benefit from the feeling of enhanced safety and protection. As a nuclear host community, we do not.

Many in our community have at the ready potassium Iodide (KI) pills in the event of a nuclear release; annually, citizens know to review their emergency preparedness as we listen to emergency test sirens, and, daily, we live acutely aware of the risks of having a nuclear power plant in our backyard.

With these factors in mind, we ask that you specifically reconsider two core elements of the Joint Proposal:

## **1. Proposed Community Impact Mitigation Program**

### *A. Proposed Essential Services Fund*

The Proposed \$75 million Essential Services Fund is designed to stabilize the same levels of funding that are currently received through unitary taxes as long as the plant continues to operate. About \$22 million annually is paid for essential services such as education, public safety, water and flood districts. Due to the closure announcement, the accelerated depreciation schedule will effectively bring those funds to zero by 2024-25. Although the asset’s value will rapidly decline, the public safety and environmental risk will not. For the remainder of the plant’s operating life, ratepayers will continue to enjoy carbon-free, low-cost energy, and the community will be expected to serve the same role but without the level of funding previously judged to be fair and essential. In other words, it’s fair to expect compensation from ratepayers for the cost of maintaining a safe

and reliable plant, and to also pay for the cost of siting tons of nuclear waste indefinitely in our community.

Additionally, the Essential Services Fund would provide critical breathing room for the school district to plan properly for a post-Diablo future. An abrupt closure would harm the schools immediately, and school quality is an essential tool for PG&E in maintaining a sufficient and qualified workforce to operate the plant through the life of its current licenses.

We cannot overstate how strongly we disagree with the ALJ's assessment that this type of funding should be directed to another governing body.

### *B. Proposed Economic Mitigation Fund*

Our community's economic future is jeopardized without Diablo Canyon, our largest private-sector employer. We believe the \$10 million in one-time funding is imperative to help jumpstart the diversification of the local economy into a post-Diablo era. Doing so will enable our region to continue to be a bright spot in the state's economic picture, and not a drain.

The ALJ's Proposed Decision alluded to questions about distribution of this funding. The spirit of this funding program is to provide economic relief to affected communities and aid the region in jumpstarting a necessary economic regional planning effort. If there is a distribution model that better serves the spirit of this program, we ask that you work with community leaders to design that model and not eliminate this program in its entirety.

## **2. Proposed Employee Program**

Employees of the plant are part of the fabric of our community. They are our friends, neighbors, coaches and volunteers. They live in every corner of our region - from Paso Robles to Santa Maria. They are a highly skilled, specialized workforce that has safely and reliably operated the plant since it went online. The announced plant closure has undoubtedly created job insecurity for employees of the plant and in turn diminished predictability of long-term retention of the workforce.

The Central Coast is a small regional economy, located three hours from major jobs centers. As a result of that relative isolation and extraordinarily high housing costs, our employers have significant recruitment and retention challenges for senior level and specialized technical positions.

The Proposed Employee Program provides the necessary incentives to effectively retain top-notch talent who can operate the plant reliably and safely. We ask that you err on the side of caution and approve the resources to retain these essential employees.

While we understand the ALJ's questions related to fairness, as a host community we respectfully submit that the elements of the Joint Proposal are balanced and reasonable. If the Community Impact Mitigation Program is eliminated, we will continue to host a fully functioning nuclear plant, providing benefits to millions of ratepayers without the funding that has been, until now, available to fund essential public services.

Equally concerning is that, absent federal intervention, we have no option but to transition from a nuclear host community to a nuclear storage community, quite possibly for eternity. This increases our community's environmental risk and economic burden.

It's also notable that approval of the Joint Agreement would not set a precedent as California has no other operating nuclear power plant.

While some of the concerns we bring forward are not within the scope of this proceeding, we note them because our community's concerns are not easily compartmentalized amid the tangled web of regulatory and legislative bodies. The Coastal Commission, State Lands Commission, California Public Utilities Commission (CPUC), Nuclear Regulatory Commission, and the executive and legislative branches of the State and Federal Government all have unique influence and jurisdiction over the regulation of the plant. We certainly appreciate the important role each body plays in ensuring safe operations; however, the complexity of the regulatory environment has left many of our concerns unaddressed. The CPUC, however, is in the unique position and has the requisite authority to resolve many of the issues we have noted here.

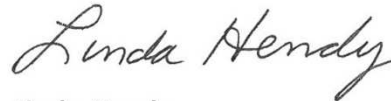
While we work to transition our community to a post-Diablo future at the local level, and the CPUC works to transition energy consumers and suppliers to a post-nuclear future at the state level, we ask that you consider our role as a contributor of affordable, clean energy throughout the state and uphold the Joint Agreement and the funding earmarked for the Community Impact Mitigation Program and the Proposed Employee Program. The provisions within each program provide a stronger and more responsible bridge to the future while mitigating many avoidable and adverse impacts.

Thank you for the opportunity to address the Commission. We offer our input solely out of concern for the community's social, environmental and economic well-being. We appreciate your consideration.

Sincerely,



**Judith Bean**  
President/CEO  
Arroyo Grande & Grover Beach  
Chamber of Commerce



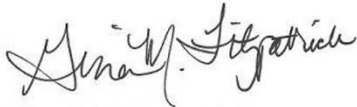
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