



Council Agenda Report

From: Thomas Frutchey, City Manager

Subject: Diablo Canyon Nuclear Power Plant Closure Settlement Agreement Update and Costs Necessary to Conduct the Economic Impact Analysis / Financial Impact Analysis

Date: March 20, 2018

Facts

1. In response to the anticipated economic hardships of the planned closure, PG&E, the County, the cities within the County; the San Luis Obispo Coastal School District (School District) and other partners negotiated a settlement agreement that included the Community Impact Mitigation Program (CIMP). The CIMP would bring \$85 million to the region to alleviate some of the impacts of the Diablo retirement. Of that amount, \$39 million would be distributed among the county, cities, and community service districts to help offset projected impacts and another \$10 million to form an economic development fund for the cities and county. Of that latter amount, \$400,000 would be set aside for immediate economic planning.
2. In addition, Senate Bill 968 was signed into law in 2015, approving a study (Monning Study) to analyze the impacts of nuclear power plant closures. It was anticipated that funding for the Monning Study would complement the \$400,000, to provide a long-term economic and workforce development strategy that addresses the needs of the economies within the County.
3. In an effort to ensure equitable consideration of the adverse impacts of the retirement on area cities, the City joined the Coalition of Cities (Coalition) in September 2016. In collaboration with our County and School District partners, the Coalition helped negotiate the settlement agreement with PG&E and advocate at the California Public Utilities Commission (CPUC), in public forums, and in the media to successfully move the agreement forward. The City of San Luis Obispo served as the lead agency for the Coalition, assuming responsibility for management of outside counsel, initial payment of legal fees, and coordinating information and advocacy efforts. The parties agreed at the initial formation of the Coalition that those legal costs would be distributed across the agencies in an equitable manner. Such factors as population, size of general fund budget, and other factors were considered in developing the equitable approach.
4. The settlement agreement was brought before the CPUC in the Fall of 2017 as part of proceedings related to the Joint Proposal. The Administrative Law Judge Peter V. Allen issued an opinion unfavorable to the CIMP, stating in part that the CPUC did not have clear authority to approve the CIMP in its decision. The final CPUC January 11, 2018 decision did not include CIMP funding. The decision continues to be a disappointing outcome, as the decision severely limits the region's ability to address the impacts of Diablo Canyon's closure.
5. In the process of joining the Coalition, the City Managers agreed to an operating framework whereby the cities within the Coalition spread the legal fees and fiscal and economic impact study and strategy development costs equitably. The City Managers also developed a funding contingency plan, to be activated in the event that the Joint Proposal and associated settlement agreement with PG&E was not supported by the CPUC. The contingency plan also posited an equitable approach to funding the fiscal and economic impact study and strategy development.

6. The total cost of the study and strategy development is expected to exceed \$1,000,000. The following table shows the expected amounts that each City Manager and the County Administrative Officer agreed to recommend to their respective Boards and Councils. The amounts in the table below are subject to change based on whether these recommendations are approved.

County/City Contribution Proposal

Community EIA/FIAs	Agreement	
	Percentage	Amount
San Luis Obispo	25.0%	\$ 90,000
Paso Robles	16.0%	\$ 57,600
Pismo Beach	11.0%	\$ 39,600
Atascadero	11.0%	\$ 39,600
Arroyo Grande	8.0%	\$ 28,800
Morro Bay	7.0%	\$ 25,200
Grover Beach	6.0%	\$ 21,600
Nipomo (County)	3.0%	\$ 10,800
Avila Beach (County)	2.0%	\$ 7,200
Oceano (County)	2.0%	\$ 7,200
Los Osos (County)	2.0%	\$ 7,200
Cambria (County)	2.0%	\$ 7,200
Templeton (County)	2.0%	\$ 7,200
San Miguel (County)	1.5%	\$ 5,400
Santa Margarita (County)	1.5%	\$ 5,400
TOTALS	100%	\$ 360,000

County Totals	County Only	\$ 160,000
	Community EIA/FIAs	\$ 57,600
	TOTAL	\$ 217,600

7. While the Coalition works with the County and other partners to pursue an economic development strategy, efforts are underway on various avenues to fund the CIMP. Currently, our partners are pursuing a legislative response. A spot bill has been filed, which ultimately, if successful, would provide funding for the CIMP to not only included developing a strategy, but to also provide regional funding for the implementation of economic initiatives in line with this strategy. City staff will keep Council informed on the bill's progress through the legislative process.

Options

1. Take no action;
2. Appropriate \$57,600 as the City's commitment to the economic and fiscal impact effort, recognizing that some or all of this can be reimbursed;
3. Provide alternative direction to staff;

Analysis and Conclusions

The City Council could choose to not support this recommendation. The recommendation is in line with our regional partners to fund economic analysis and a regional economic strategic plan. This plan is intended to align actions with our regional strengths and opportunities so that limited resources are efficiently applied in to respond to the direct, indirect and induced economic impacts related to the planned and approved timescale for the closure of the Diablo Canyon Nuclear Power Plant.

The Cities and Counties in San Luis Obispo County have agreed to fund \$627,000¹. The City of Santa Maria has been approached to fund \$135,000 which is their proportional cost related to their budget, population, and number of Diablo employees that live within their jurisdiction. This leaves approximately \$300,000 in funding needed to fund both direct consultant costs and estimated project management costs.

Fiscal Impact

If none of the City's contribution is reimbursed, the City's reserves would be reduced by the full \$57,600. As the entire purpose of this effort, however, is to mitigate the potential economic and fiscal impacts of the closure of Diablo Canyon, this amount is best thought of as an investment, to be repaid several times over in future years, if the effort is successful.

Recommendation

Approve Resolution 18-XXX authorizing the City Manager to contribute up to \$57,600 as the City of Paso Robles' equitable share of the projected costs of the economic/financial impact analysis and regional economic strategy effort to mitigate the closure of the Diablo Canyon Power Plant. As all of this appropriation is subject to reimbursement, direct the City Manager and City Attorney to continue to work with its partners to take those actions necessary to increase the likelihood of the City receiving reimbursement for this expenditure.

Attachments

1. Diablo Canyon Resolution

¹ The County has agreed to recommend \$217,000 for Phase 1 and \$108,000 for Phase 2. The Cities of San Luis Obispo County have agreed to recommend \$302,000 for both Phases. The City of Santa Maria is considering contributing \$135,000 towards the costs. If the City of Santa Maria does not participate, the project costs will be reduced proportionally.

RESOLUTION NO. 18-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES, CALIFORNIA, AUTHORIZING THE CITY MANAGER TO CONTRIBUTE \$57,600 OF THE ESTIMATED COSTS ASSOCIATED WITH AN ECONOMIC / FINANCIAL IMPACT ANALYSIS AND REGIONAL ECONOMIC STRATEGY REGARDING THE CLOSURE OF THE DIABLO CANYON NUCLEAR POWER PLANT

WHEREAS, on August 11, 2016, Pacific Gas & Electric (PG&E) filed its application proposing to retire the Diablo Canyon Nuclear Power Plant (DCNPP) upon the expirations of applicable licenses to allow for the continued operation of the plant; and

WHEREAS, protests and responses to the Joint Proposal were filed and eventually the Joint Proposal was amended with a settlement agreement. The settlement agreement adjusted the Community Impact Mitigation Program (CIMP) and was reached with many parties and locally included: The San Luis Coastal Unified School District, the County of PASO ROBLES, and The Coalition of Cities; and

WHEREAS, on November 8, 2017 Administrative Law Judge, Peter V. Allen, released the Proposed Decision regarding the Joint Proposal to close the DCNPP. The Proposed Decision rejected the proposed CIMP and on January 11, 2018 the CPUC voted to not include the CIMP; and

WHEREAS, in the process of joining the Coalition of Cities (Coalition), the City Managers agreed to an operating framework providing for a funding contingency plan to be activated in the event that the Joint Proposal and associated settlement agreement with PG&E was not supported by the CPUC; and

WHEREAS, according to the contingency plan, the City Managers agreed that they would recommend funding an equitable portion of the fiscal and economic impact study and strategy development among the partner cities. The total cost of the study and strategy development is expected to exceed \$1,000,000 and the City of Paso Robles's contribution of that amount is \$57,600.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of PASO ROBLES that:

The City Manager is authorized to expend \$57,600 to contribute to the City's portion of funding an Economic / Fiscal Impact Analysis and Regional Economic Strategy regarding the closure of the Diablo Canyon Nuclear Power Plant.

PASSED AND APPROVED THIS 20th day of March 2018, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Steven W. Martin, Mayor

Attest:

Kristen L. Buxkemper, Deputy City Clerk