

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 10/15/2013	(3) CONTACT/PHONE Emily Jackson 781-5011	
(4) SUBJECT Submittal of a report on the Economic Benefits of Diablo Canyon Power Plant- An Economic Impact Study, prepared by Pacific Gas and Electric in cooperation with Cal Poly, the Nuclear Energy Institute and Productive Impact.			
(5) RECOMMENDED ACTION It is recommended that the Board receive a report related to the Diablo Canyon Power Plant economic impact study and provide direction to staff.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT { } Consent { } Presentation { } Hearing (Time Est. ___) {x} Board Business (Time Est. <u>60 min</u>)			
(11) EXECUTED DOCUMENTS { } Resolutions { } Contracts { } Ordinances {x} N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A { } 4/5th's Vote Required {x} N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY {x} N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW Guy Savage			
(18) SUPERVISOR DISTRICT(S) All Districts -			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Emily Jackson, Administrative Analyst

DATE: 10/15/2013

SUBJECT: Submittal of a report on the Economic Benefits of Diablo Canyon Power Plant- An Economic Impact Study, prepared by Pacific Gas and Electric in cooperation with Cal Poly, the Nuclear Energy Institute and Productive Impact.

RECOMMENDATION

It is recommended that the Board receive a report related to the Diablo Canyon Power Plant economic impact study and provide direction to staff.

DISCUSSION

Background

Diablo Canyon Power Plant has been in operation since 1985 and runs two nuclear reactors which are licensed until 2024 and 2025 respectively. After the permanent shutdown of the San Onofre Nuclear Generating Station (SONGS) earlier this year, Diablo Canyon is the only operational nuclear power plant remaining in the State. In 2009, Pacific Gas & Electric (PG&E) initiated the application process with the Nuclear Regulatory Commission (NRC) for 20 year license renewals for both reactors at Diablo Canyon.

The re-licensing process has prompted much conversation over the impacts that Diablo Canyon has on the San Luis Obispo County region. During a budgetary strategic planning session on February 19, 2013, the Board directed that staff study the communitywide economic impacts that the plant has on the County. As part of the FY 2013-14 budget process, staff recommended, and the Board approved, the allocation of \$50,000 to fund a consultant to conduct an economic impact analysis of Diablo Canyon Power Plant on San Luis Obispo County. The intent of the study was to provide information which would enable the County and other local agencies to be in a better position to prepare and implement a strategic plan in the event of a closure of the Diablo Canyon Power Plant.

In June 2013, PG&E released its own study, titled *Economic Benefits of Diablo Canyon Power Plant- An Economic Impact Study*. The study was prepared by PG&E, in cooperation with Cal Poly's Orfalea College of Business, the Nuclear Energy Institute (NEI) and consultant Productive Impact. The study utilizes IMPLAN software and databases to estimate the economic impacts of Diablo Canyon on the local, statewide and national economies. IMPLAN tools are an industry-standard for economic impact studies, and it is likely that any study commissioned by the County would utilize the same tools. Given this, staff is seeking direction from the Board about whether or not to accept the existing study, to seek a peer review of the study, or to commission a study by an independent consultant.

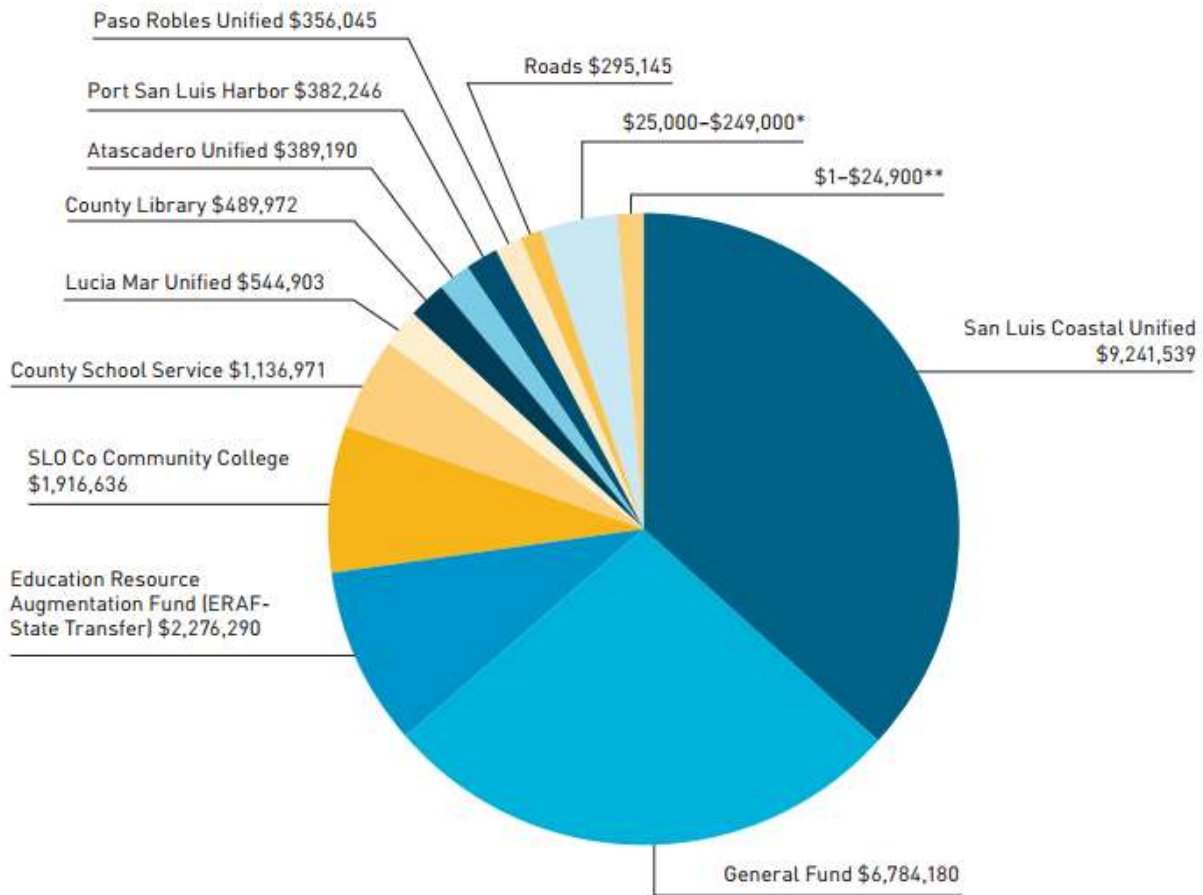
This staff report provides an overview of the current direct tax contribution of Diablo Canyon to various local agencies and the additional emergency planning and preparedness capacity resulting from having Diablo Canyon located in the County. This item also discusses Federal employment programs that are available to assist communities experiencing mass layoffs, and reviews options to diversify the county's economic base in the event of a plant closure.

Summary of Economic Impacts

The existing study provides a wide breadth of information related to Diablo Canyon's national, statewide and local economic impacts. The study is attached to this item, and includes data related to expenditures, employment, tax

revenue, economic outputs, labor income, and other benefits such as PG&E's charitable giving and land stewardship which impact the local area. Diablo Canyon supplies 22% of PG&E's electricity generation, producing 18,566 megawatt hours of electricity. The estimated economic impact on San Luis Obispo and Northern Santa Barbara Counties is \$919.8 million, with \$1.1 billion injected into the California economy each year. The estimated total output of Diablo Canyon is \$1.969 billion on a national level. The plant created 1,543 direct jobs, the ripple effect of which created an estimated 3,358 local jobs, 4,543 jobs statewide, and 10,372 jobs nationwide to support the plant, its employees, and its operations.

For the County and other local agencies, property taxes (in the form of a unitary tax) paid by PG&E represent the most significant direct economic impact that Diablo Canyon has on the area. The pie chart below is taken directly from the existing study, and shows how the \$25.4 million in unitary taxes paid by PG&E in FY 2011-12 was allocated among various governmental agencies within the County.



*There are 17 governmental entities that receive between \$25,000 to \$249,999
 **There are 63 governmental entities that receive between \$1 to \$24,999

As the chart above demonstrates, San Luis Coastal Unified School District and the County's General Fund each receive significant portions of PG&E's unitary tax payment—36.4% and 26.7% of the total paid, respectively. Unitary tax payments received by the County fund general County operations through the General Fund, as well as roads and County libraries. Cities and most special districts within the county receive significantly less—though unitary tax receipts for many agencies are fairly significant in the context of many agencies' total budgets. The table on the next page demonstrates what percentage of a sampling of agencies' FY 2011-12 budgets were supported by unitary tax payments from PG&E.

Agency	PG&E Unitary Tax Revenue	Total Budget	Unitary as a % of Total
County General Fund	\$ 6.8 M	\$ 383.3 M	1.8%
County Roads	\$ 295,145	\$ 21.9 M	1.3%
County Library	\$ 489,972	\$ 8.6 M	5.6%
Total County (includes allocations to General Fund, Roads and Libraries noted above)	\$7.6 M	\$642.3 M*	1.2%
San Luis Coastal Unified School District	\$ 9.2 M	\$ 79.9 M	11.6%
Port of San Luis Harbor District	\$383,246	\$ 4.2 M	9.2%

* County's total FY 2011-12 budget- includes all funds (not just those that receive unitary tax revenues)

The impact that Diablo Canyon's unitary tax payment has on local agency budgets has decreased over time, as the value of the plant has depreciated. To demonstrate: in FY 1997-98, PG&E's total unitary tax payment was \$33.3 million. For comparison purposes, the table below demonstrates what percentage of the County's budget was supported by unitary tax payments from PG&E in FY 1997-98:

Agency	PG&E Unitary Tax Revenue	Total Budget	Unitary as a % of Total
County General Fund	\$ 8.9 M	\$ 200.4 M	4.4%
County Roads	\$ 416,391	\$ 10.3 M	4.0%
County Library	\$ 653,797	\$ 4.4 M	14.7%
Total County (includes allocations to General Fund, Roads and Libraries noted above)	\$ 9.9 M	\$ 242.2 M**	4.1%

** County's total FY 1997-98 budget- includes all funds (not just those that receive unitary tax revenues)

The County's direct tax reliance on Diablo Canyon has decreased over time. Although unitary taxes from Diablo Canyon currently equate to only 1.8% of the County's General Fund budget and 1.2% of the County's total budget, absorbing such a revenue loss would not be easy. However, the County has clearly established budget goals and policies, and budget balancing strategies and approaches in place to strategically close budgetary gaps with as minimal impact to the community as possible. Over the last six years, the County has methodically closed an \$80.6 million gap with a combination of short term solutions and long term expenditure reductions. Closure of a budgetary gap due to a potential closure of Diablo Canyon would likely be done in a manner consistent with the County's current "Pain Plan", and in following with Board priorities which are currently: meeting legal mandates, paying debt service and public safety.

Impact to Emergency Planning and Preparedness

Federal regulations require that the County and other local agencies maintain extensive emergency preparedness programs related to Diablo Canyon. Having such extensive plans for Diablo Canyon also benefits other areas of emergency management throughout the County, as emergency planning and preparedness required for Diablo Canyon is also available to assist with non-nuclear related emergencies.

State legislation requires that emergency planning efforts related to the operation of nuclear power plants be borne by the utility. The California Office of Emergency Services (Cal OES) bills PG&E for emergency preparedness costs and the State then reimburses the County and other local agencies, out of a Nuclear Power Plant (NPP) fund. In FY 2013-14, a total of \$1.9 million is available to reimburse local agencies within the county for Diablo Canyon related emergency planning costs. As the lead emergency planning agency, the County has been allocated the majority of this funding. Planned allocations for FY 2013-14 are as follows:

Agency Receiving Funds	Amount
County Departments	\$1.6 M
Outside agencies including cities, schools, special districts	\$200 K
Not budgeted (contingency for unanticipated expense)	\$100 K
Total	\$1.9 M

Of the County's total \$1.6 million NPP allocation, the County Office of Emergency Services (OES) receives approximately \$1.3 million. OES's FY 2013-14 expenditure budget totals \$1.61 million and provides for general emergency planning and preparedness activities in addition to those specifically related to Diablo Canyon. 79% (\$1.3 million) of OES's budget is NPP revenue offset. Other Federal aid and grants also contribute to the County's emergency services funding, leaving the County's General Fund cost at only \$155,462 in FY 2013-14. NPP funds pay for 4.5 FTE of OES's total 6.0 FTE permanent staff and help to fund the work that the OES does, related to emergency planning, emergency preparedness/coordination, emergency response exercises and drills, emergency worker training, public information and disaster recovery coordination.

In addition to NPP funding, PG&E estimates that it spends approximately \$2.6 million a year in direct costs on emergency equipment, infrastructure and training, which contribute to the community's general emergency planning and preparedness capacity.

The following equipment and infrastructure is paid for and maintained by PG&E:

- The County's Emergency Operations Center which is co-located with PG&E's Diablo Canyon Emergency Operations Facility and also houses the Sheriff's dispatch center, Watch Commander and Sheriff's Patrol Headquarters Commander;
- The Joint Information Center, which is used to provide media briefings and also houses an emergency phone assistance center;
- A phone system which enables quick and constant contact with all seven cities' 9-1-1 centers and other agencies;
- 131 Early Warning System sirens which are used to notify the community of emergency situations;
- Tone alert radios which are used to provide emergency incident information to schools and hospitals in the Diablo Canyon emergency planning zones, as well as the larger care homes of dependent populations.

Because Federal regulations require such extensive emergency preparedness for nuclear power plants, San Luis Obispo County has much more emergency planning capacity and infrastructure than other communities. In the event of a potential closure at Diablo Canyon, the County and other local agencies would need to make a determination about whether or not to maintain and take financial responsibility for costs that PG&E currently covers, such as those listed above. To put this in context, of the estimated \$2.6 million that PG&E spends, it is estimated that the annual cost associated with the Early Warning System sirens is \$1.5 million. Approximately \$300,000 is spent on a variety of programs and public information campaigns that are meant to educate the public on emergency preparedness. The San Luis Obispo community is accustomed to having both as a part of its general emergency preparedness capacity.

Though required to support Diablo Canyon, enhanced emergency infrastructure and NPP funding has helped to support response to a variety of emergencies within the county including wild land fires, the San Simeon earthquake, tsunami warnings and winter storms. PG&E also funds the cost of developing full scale emergency response exercises. If Diablo Canyon were to shut down, the local area would no longer receive NPP emergency funds, and the cost of maintaining emergency infrastructure that is currently borne by PG&E would be transferred to local agencies.

Resources Available if Diablo Canyon Nuclear Power Plant Shuts Down

In addition to the loss of direct tax revenues to governmental agencies and decline in emergency planning and preparedness capacity, the potential closure of Diablo Canyon would have a ripple effect which would significantly alter the economic make-up of the county. Successful response to such significant change would necessitate a focus on re-employing laid off workers and a diversification of the county's economic base.

Workforce Development

In addition to the direct economic impacts that Diablo Canyon Power Plant has on County's and other local agencies' budgets, the plant is also the largest private employer in the County, with 1,543 employees in the State of California and 1,483 employees living in San Luis Obispo and Northern Santa Barbara counties. A potential closure of the plant would mean the loss of approximately 1,543 well-paying jobs at the plant, which would have a ripple effect into other employment sectors within the community that are supported by the plant. The Workforce Investment Act (WIA) provides Federal funding to communities dealing with mass layoffs.

WIA was signed into law in 1998, replacing the Job Training Partnership Act and other Federal job training laws. California implemented WIA in the year 2000, with the goal of building a comprehensive workforce investment system that

would increase employment opportunities, job earnings, and retention, while improving occupational skills to sustain California's economic growth in future years. To ensure that regional economics drive the comprehensive workforce system, the Governor identified 49 local Workforce Investment Areas (LWIA) throughout the State. San Luis Obispo County is a LWIA and focuses on providing quality employment and training services to assist eligible adults and youth find meaningful employment.

In FY 2013-14, the County will receive a total of \$2.1 million in Federal formula WIA funding. The majority of formula funds support the County's contract with Goodwill Industries to operate a One-Stop career center in San Luis Obispo, a satellite office in Grover Beach, and remote service delivery in the North County and coastal communities. WIA programs at these locations consist of a variety of assessment, tutoring, mentoring, job training, and education programs for job seekers, and comprehensive employer services including resources for placing job order and obtaining referrals, labor market data and business assistance. In addition to funding the One-Stop career centers, in FY 2013-14, approximately \$100,000 has been made available to contractors including Goodwill and the Economic Vitality Corporation (EVC) for rapid response programs which provide services to employers and workers affected by layoff, and help businesses avoid layoff and improve retention and expansion opportunities. Rapid response funding is also provided to the EVC to support the implementation of the Countywide economic strategy.

In addition to annual formula allocations, extra WIA funding may also be available to communities experiencing mass layoffs, so that regular funds do not have to be redirected away from ongoing WIA activities. In the recent past, the County has received additional WIA funding as follows:

- In 2012, the County received \$318,318 in National Emergency Grant (NEG) funding to provide re-training, career development and supportive services for approximately 90 local dislocated workers who were laid off by the US Census Bureau, Lucia Mar School District, and Dioptrics Medical Products during FYs 2009-10 and 2010-11.
- Earlier this year, the County collaborated with other local areas to pursue WIA Additional Assistance funding, and received \$197,311 in additional funding to provide employment and job training services for workers affected by layoffs at Atascadero State Hospital, Bechtel Power Corporation, Rome Research Corporation and Scolari's in 2011 and 2012.

While this additional funding is available for targeted layoff events, it is important to note that WIA funding beyond regular annual allocations is awarded after mass layoffs occur. Additional Assistance funding is awarded by the State, typically two months after layoff. The award of NEG funds requires an application to the Department of Labor, and local areas typically don't receive funding for up to 6 months to a year after a mass layoff occurs.

In the event that Diablo Canyon were to shut down, the County could reasonably expect to receive a significant infusion of WIA funding to get people back to work. While it is difficult to estimate the amount of funding that may be available, the WIA response to the April 2010 closure of the New United Motors Manufacturing Incorporated (NUMMI) plant in Alameda County provides a good example of response to mass layoff. The NUMMI plant closure resulted in the direct loss of 4,700 jobs, and created a ripple effect which significantly impacted NUMMI suppliers and vendors. To respond to the mass layoff, Alameda County received approximately \$14.4 million in WIA NEG and Additional Assistance funding to provide a variety of retraining and job development services.

While Alameda County's experience is similar to what the County may expect in the event of a potential closure of Diablo Canyon, it is important to note that the Bay Area has a more diverse economic base than San Luis Obispo County. According to the existing economic study, 35% of the jobs at Diablo Canyon are of a technical/maintenance or engineering nature. The average salary for local Diablo Canyon employees is \$136,561 a year, which is considerably higher than the 2010 median county household income of \$57,365. In order to retain highly skilled workers, it would be necessary to focus on economic development strategies to attract additional industry to our local area.

Economic Development Opportunities

While many cities and counties have economic development departments, the County relies on the Economic Vitality Corporation (EVC) for many economic development functions which might otherwise be assigned to county staff. The EVC is a non-profit economic development organization that provides business resources to help start and expand businesses throughout San Luis Obispo County. The EVC helps to stimulate the local economy by helping to generate jobs, increase investment in the community, and promote the start-up, growth and attraction of business. In the event of a closure of Diablo Canyon, the EVC would play a significant role in diversifying the county's economic base.

When businesses look at areas in which to locate, they typically consider factors such as cost, infrastructure, available workforce, tax structures, governmental policies, customer base, and the availability of various incentives which may

make a location desirable from an economic standpoint. The EVC provides a variety of programs and services in these areas to encourage business growth and stability. In June 2011, the Board endorsed the countywide Economic Strategy which was the result of collaboration between the County, cities, other local agencies, and over a hundred local businesses.

At the heart of the Economic Strategy is the development of five key industry “clusters of opportunity” which have been responsible for the majority of the County’s economic vitality. The clusters include: building design and construction, health services, knowledge and innovation services, specialized manufacturing, and the “Uniquely SLO Cluster”, which includes wine, agriculture, recreation, accommodation and other regional specialty products. The Economic Strategy identifies priorities and strategies to encourage growth and vitality in each of these clusters.

The role of the EVC is to lead the implementation of the Economic Strategy and act as a referral agency for various major county policies and plans. The current focus of the EVC and Economic Strategy includes:

- Providing support to, and facilitating the work of the five clusters
- Conducting a variety of studies including:
 - Economic impact studies on the wine and tourism industries
 - A workforce housing survey to assess the need for various workforce housing
- Driving an economic analysis pilot project to evaluate the value and process of providing information about the economic benefits of development projects to decision makers as a part of discretionary land use permit processes
- Infrastructure planning and finance education for the business design and construction cluster to facilitate more involvement in county decision making
- Planning for future business expansion sites
- Supporting the expansion of the County Airport and airlines through a revenue guarantee program
- Facilitating economic forecasting events and other regular information releases
- Facilitating access to capital through venture capital strategies and a business loan program

Since the Economic Strategy was endorsed by the Board, the County has partnered with the EVC to make progress on some of the items noted above. In 2011, the County began to include non-quantified business impact statements in certain Board items, and the County’s Planning and Building Department implemented a “Business Assistance Team” to streamline permitting for projects in urban areas. More recently, in 2012, the County was an active partner in the above-referenced pilot project to evaluate the value and process of providing information related to economic benefits of a project to decision makers. Finally, the County adopted a new Economic Element which complements the EVC’s Economic Strategy.

Looking forward, the EVC will continue its focus on the initiatives noted above. More specifically, the upcoming focus of the Economic Strategy includes:

- Restarting the business loan program
- Further encouraging the County and cities to place a greater focus on economics in decision-making
- Continuing to educate the community about why economic development is important to our local area
- Placing an increased focus on developing those sectors of the economy that have been successful in our area. This includes business development within the knowledge and innovation, health services and specialized manufacturing clusters.

A potential closure of Diablo Canyon would require increased resource focus on the current and future work of the EVC in order to diversify the county’s economic base to retain and attract highly-skilled workers and profitable industry to the area.

OTHER AGENCY INVOLVEMENT/IMPACT

PG&E partnered with Cal Poly, Productive Impact and the Nuclear Energy Institute to prepare the existing economic study. The Auditor-Controller’s Office has verified information contained in the existing study and provided additional information relative to the direct economic impacts to the County and other local agencies. The Department of Social Services contributed to information related to the Workforce Investment Act and available Federal funding. Staff in the Planning and Building Department provided information relative to the current economic strategy.

FINANCIAL CONSIDERATIONS

As previously noted, Diablo Canyon Power Plant pays \$25.4 million in unitary taxes, which are allocated among various governmental agencies within the county. San Luis Coastal Unified School District and the County's General Fund are the largest recipients of PG&E's unitary tax revenue, receiving \$9.2 million and \$6.8 million in FY 2011-12 respectively.

In addition to the direct economic impact of tax revenues paid by PG&E, the presence of Diablo Canyon within the County contributes significant monetary resources to the local area for emergency planning and preparedness efforts. In FY 2013-14, \$1.9 million will be available from the State's Nuclear Power Plant (NPP) fund to reimburse local agencies for emergency planning costs related to Diablo Canyon. \$1.6 million of NPP funding is allocated to the County. Beyond available reimbursement funds, PG&E estimates that it spends approximately \$2.6 million a year on local emergency equipment, infrastructure and planning.

RESULTS

Receipt of this item will provide the Board with a high level overview of the economic, and emergency planning and preparedness impacts that Diablo Canyon Power Plant has to the San Luis Obispo County community. In addition, this item provides an overview of Federal job training programs and funding that is available to assist communities in the event of mass layoffs, and opportunities to diversify the County's economic base in the event of a potential closure of Diablo Canyon Power Plant.

ATTACHMENTS

1. Economic Benefits of Diablo Canyon Power Plant- An Economic Impact Study