

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of Pacific Gas and Electric Company for
Approval of the Retirement of Diablo Canyon Power
Plant, Implementation of the Joint Proposal, And
Recovery of Associated Costs Through Proposed
Ratemaking Mechanisms

(U 39 E)

Application 16-08-006
(Filed August 11, 2016)

**RESPONSE OF
SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT**

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September 15, 2016

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SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT**

In accordance with Rule 2.6 of the Commission’s Rules of Practice and Procedure, the San Luis Coastal Unified School District hereby submits this response to the above-captioned application of Pacific Gas and Electric Company (“PG&E”).

PG&E’s application concerns the utility’s plan to retire the Diablo Canyon Power Plant (“Diablo Canyon”) when the plant’s current operating licenses expire in 2024 and 2025. Diablo Canyon is in San Luis Obispo County, where the San Luis Coastal Unified School District is also located. The property tax PG&E pays on Diablo Canyon each year is one of the largest sources of revenue for the County and accounts for a significant portion of the District’s annual funding. After Diablo Canyon is retired, that critical source of funding will no longer be available to the District.

The centerpiece of PG&E’s application is the Joint Proposal, developed in concert with a diverse group of stakeholders,¹ for PG&E to replace Diablo Canyon with carbon-free energy

¹ The signatories to the Joint Proposal are PG&E, the Natural Resources Defense Council, Friends of the Earth, Environment California, International Brotherhood of Electrical Workers Local 1245, the Coalition of California Utility Employees, and the Alliance for Nuclear Responsibility.

resources.² The Joint Proposal also outlines several programs and measures aimed at mitigating the impact of Diablo Canyon’s retirement on the PG&E employees working at the plant and the local community. Of primary interest to the District is the Joint Proposal’s provision for PG&E to compensate the County for the loss of property taxes the utility currently pays on Diablo Canyon.³ The Joint Proposal’s provision for PG&E’s continued funding of the County at what PG&E’s application characterizes as “current Diablo Canyon property tax levels” through 2025 is of interest to the District for obvious reasons: it highlights the County’s current dependence on PG&E’s payment of property taxes for Diablo Canyon, and it provides a measure of hope to the District that it will receive continued funding from PG&E as it plans for the transition to the post-Diablo Canyon era. However, the District also has two concerns.

The District’s first concern is that the level of continued funding contemplated by the Joint Proposal will not fully offset the decline in County revenues resulting from PG&E’s closure of Diablo Canyon and its accelerated depreciation of associated assets. The District’s second concern is that the size of the annual payments PG&E will make to the County under the Joint Proposal could vary dramatically and unexpectedly from year to year, depending on how quickly Diablo Canyon is closed and depreciated.

The latter is perhaps the District’s biggest concern. While the District can plan, and is already planning, to operate with smaller budgets in the post-Diablo Canyon era, the uncertainties associated with the continued funding mechanism outlined in the Joint Proposal make that process more difficult and potentially more disruptive than it needs to be. The

² PG&E Application, Attachment A, Joint Proposal, sec. 2.

³ Joint Proposal, sec. 4.1. Assuming the Commission approves PG&E’s plan to retire Diablo Canyon when its licenses for the plant expire in 2024 and 2025, PG&E will presumably depreciate its remaining rate base in the plant over the period from Commission approval to plant retirement, resulting in a rapid decline in the amount of property tax PG&E pays each year on Diablo Canyon over the same period.

District's primary goal in intervening in this proceeding is to ensure that the Joint Proposal is implemented, or additional measures beyond those contemplated by the Joint Proposal are adopted, so that the District knows in advance precisely how much funding it will receive from PG&E, whether from property tax payments or offset payments, in each year of the period from now until 2025. Having that certainty is critical for the District to minimize the disruptions to the District's students, teachers and staff that will inevitably result from the retirement of Diablo Canyon.

The District is intervening, and looks forward to working with PG&E, other stakeholders, and the Commission in this proceeding, toward that end.

Respectfully submitted,



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