REBUTTAL TESTIMONY
I. Introduction

In this rebuttal testimony, the San Luis Coastal Unified School District ("San Luis Coastal" or "the District") addresses several issues the Office of Ratepayer Advocates ("ORA") raises in its direct testimony concerning the Community Impacts Mitigation Program ("CIMP") element of the Joint Proposal.¹ Most importantly, San Luis Coastal explains why, contrary to ORA’s assertions, the CIMP, as modified by the Settlement Agreement filed with the Commission on December 28, 2016,² is critical to both the continued safe and reliable operation of the Diablo Canyon Power Plant ("Diablo Canyon") and the District’s ability to plan for the impact the Plant’s closure will have on its future funding.

II. San Luis Coastal Unified School District

San Luis Coastal is the second largest K-12 public school district in San Luis Obispo County. The District includes ten elementary schools, two middle schools, two comprehensive high schools, and one adult continuation school, serving approximately 7,500 students from the communities of Avila, Los Osos, Morro Bay, and San Luis.


² The Settlement Agreement is set forth in Attachment 1 to the Joint Motion of Pacific Gas and Electric Company, the County of San Luis Obispo, the City of Arroyo Grande, the City of Atascadero, the City of Morro Bay, the City of Paso Robles, the City of Pismo Beach, the City of San Luis Obispo, the San Luis Coastal Unified School District, Friends of The Earth, Natural Resources Defense Council, Environment California, International Brotherhood of Electrical Workers Local 1245, Coalition of California Utility Employees (CCUE), and Alliance For Nuclear Responsibility for Adoption of Settlement Agreement, filed December 28, 2016 ("Settlement Motion").
Obispo. The District employs nearly 1,000 teachers, staff and administrators, with an annual operating budget of over $80 million, making San Luis Coastal one of the County’s largest employers. With a high school graduation rate of 98 percent, numerous graduates attending top universities, and a deeply involved parent community, San Luis Coastal has developed one of the finest reputations among California’s public school districts.

III. The Relationship Between San Luis Coastal and Diablo Canyon

The Diablo Canyon Power Plant is located within the boundaries of the San Luis Coastal Unified School District. Considerable numbers of San Luis Coastal parents are employed by PG&E and work at the Diablo Canyon Nuclear Power Plant or in jobs that are directly or indirectly related to its operation. The highly positive feedback San Luis Coastal has received over the years from many such parents strongly suggests that the excellent education the District provides to its students is a key factor in PG&E’s ability to recruit and retain the highly skilled workforce that is essential to Diablo Canyon’s safe and reliable operation.

San Luis Coastal and Diablo Canyon are further linked by the unique role that the nuclear power plant plays in the District’s funding. Most California school districts receive funding from four sources in the following proportions: State aid (57%), local property tax revenues (21%), Federal aid (14%), and other local sources (8%).

---

3 Margaret Weston, *Financing California’s Public Schools*, Public Policy Institute of California (2011), posted online at [http://www.ppic.org/main/publication_show.asp?i=1001](http://www.ppic.org/main/publication_show.asp?i=1001). The stated percentages are based on pre-2011 data but are a reasonably proxy for current funding percentages at a macro, statewide level.
proportion of funding from each source varies slightly by district.\textsuperscript{4} In contrast, San Luis Coastal receives minimal State aid and instead relies on local property tax revenues for the vast majority of its funding.\textsuperscript{5}

San Luis Coastal’s near total reliance on local property tax revenues for its funding stems from its status as a “Basic Aid” district. Under California law, every school district is guaranteed a certain level of general purpose funds for basic school operations, including teacher salaries.\textsuperscript{6} If local property tax revenues are insufficient to cover a district’s guaranteed funding, the district is entitled to State aid in whatever amount is required to make up the difference. Districts such as San Luis Coastal that receive sufficient revenues from local property taxes to cover their guaranteed funding requirements—i.e., Basic Aid districts—are not entitled to such aid; however, they retain local tax revenues that exceed their guaranteed funding.

San Luis Coastal’s annual operating budget is currently met by funding derived by SLO County from three kinds of local property taxes: (1) Secured Property Roll taxes assessed on local real property cover about 60%; (2) Unsecured Roll taxes assessed on non-real business property such as fixtures, airplanes, etc., cover about 3%; and (3) Unitary Roll taxes levied by the State Board of Equalization on properties owned by public utilities (PG&E, Southern California Gas Company, railroads, etc.) cover the remainder. Diablo Canyon is by far the largest source of Unitary Roll tax revenues in

\textsuperscript{4} Id.

\textsuperscript{5} The District receives a small amount of State and Federal funding for specialized programs such as special education, free and reduced meal programs, and energy conservation.

\textsuperscript{6} The guaranteed funding level for each district is calculated based on several factors and varies somewhat between districts.
the County, accounting for more than $8 million, or approximately 90%, of the annual funding San Luis Coastal derives from such taxes.

These additional revenues have enabled the District to establish and maintain staffing levels and educational programs at its schools that would not be possible if it were not a Basic Aid district. That is the primary benefit of having Basic Aid status. However, that status is a two-edged sword: if a Basic Aid district experiences a precipitous decline in funding from local property taxes, the effects can be devastating.

That is precisely the dilemma the District faces from the closure of Diablo Canyon. The $8 million of annual funding San Luis Coastal receives from the Unitary Roll taxes PG&E pays for Diablo Canyon represents over 10% of the District’s operating budget. Most of the District’s operating budget (85-90%) is committed to personnel costs. In the education sector, “personnel” means teachers, instructional aides, administrators, and support staff. These are the people who educate and support students in the schools, classrooms, and educational programs across the District.

IV. The Community Impacts Mitigation Program

In its testimony concerning the CIMP, ORA asserts that “[t]he time period between 2016 and 2022 should be when the local governments will prepare for [Diablo Canyon’s] closure and the eventual decline of tax payments from PG&E.” San Luis Coastal agrees: Rather than instituting mass layoffs in the years immediately before Diablo Canyon is closed, when the accelerated depreciation of the nuclear power plant’s value and the resulting loss of tax revenues on the District’s funding will be most

---

7 ORA Testimony (ORA-7, Logan), at 13:11-12.
acute, the only responsible course of action for the District is to start reducing staffing levels and scaling back programs now.

That means the scheduled closure of Diablo Canyon in 2025 will have an impact on the District in the near term, reducing the quality of education the District can provide its students. That, in turn, will make it more difficult for PG&E to retain the highly skilled workforce needed to continue operating Diablo Canyon in a safe and reliable manner through 2025. The only questions are how quickly and how deeply the District will need to make cuts, and how badly the resulting impacts will undermine PG&E’s employee retention efforts.

The funds San Luis Coastal receives through the CIMP will allow the District to better manage the inevitable loss of revenues from Diablo Canyon by fortifying the District’s annual budgets during the 2017-2025 time-period. Most importantly, the CIMP funds will allow the District to retain valued teaching staff, thereby mitigating the impact of budget cuts at the classroom and student level.

Even with the budgetary assistance afforded to San Luis Coastal through the CIMP, the transition process remains harrowing and complicated. San Luis Coastal’s operating budget for the 2017-2018 school year has already been cut by $2 million (relative to the 2016-2017 budget). The first round of cuts includes funding for campus resource officers from local police departments, a one-on-one tutoring program for Kindergarten-2nd Grade students that are behind in reading, programs that help teachers and administrators transition to the State’s new “Common Core” curriculum
(e.g., Teachers on Special Assignment, Instructional Coaches and Professional Development courses), and several district office staff positions.\(^8\)

While the first round of budget cuts mainly affects district office personnel and professional development programs, the District will need to implement even deeper cuts over the next several years, including the elimination of teaching positions and reductions in the size and scope of educational programs. However, the CIMP funds will provide a small measure of breathing room, allowing the District to utilize normal attrition from retirements and resignations to achieve much of the remaining reductions in personnel costs that need to be implemented before Diablo Canyon closes, thereby smoothing the transition and mitigating the disruption to our students and staff. That is far better than the alternative of shuttering schools, firing dozens of teachers and other staff, and wide-scale eliminations of educational programs. Such measures would devastate our District, our staff and students, and the communities we serve.

V. Fairness and the Public Interest

In its testimony, ORA challenges the appropriateness of ratepayer funding for the CIMP, arguing there is “nothing unique” about the situation presented by the closure of Diablo Canyon and the resulting loss of property tax revenues to SLO County.\(^9\) Nothing could be further from the truth. For three decades, our schools and the residents of the communities we serve have lived in the shadow of a nuclear power plant. During that time, PG&E ratepayers have enjoyed the benefits of low-cost, GHG-free, nuclear-

\(^8\) A full list of the first-round budget cuts that will go into effect for the 2017-2018 school year is set forth in the attached Budget Reduction Proposal, which was approved by the San Luis Coastal School District’s Board of Education on February 21, 2017.

\(^9\) ORA Testimony (Ex. ORA-7, Logan), at 13:21-25.
generated power while we have coexisted with the inherent dangers of having a nuclear power plant in our back yard.

The reality of the dangers we face from the operation of Diablo Canyon is brought home to our students and staff every time we hold practice evacuation drills. This threat will continue even after Diablo Canyon is closed. Long after Diablo Canyon’s turbines have generated their last kilowatt-hour of energy, highly radioactive spent fuel rods stored at the plant site will pose continuous health and safety risks to our students and staff for long into the future. Those dangers make it imperative, from the District’s standpoint and that of the Commission as well, PG&E retains the highly skilled workforce needed to operate Diablo Canyon, manage the plant’s shut down, and oversee the storage of spent fuel at the plant site.

Yes, San Luis Coastal has benefitted from having Diablo Canyon as a neighbor. The District and the communities we serve are grateful for the tremendous advantages our students and children have enjoyed from the additional revenues the District indirectly derives from Diablo Canyon’s economic value to PG&E and its ratepayers. But the notion there is “nothing unique” about the situation we face is ludicrous. The reality, for better and worse, is that San Luis Coastal and Diablo Canyon have a unique, symbiotic relationship. Thus, contrary to what ORA and The Utility Reform Network suggest in their comments on the Settlement Motion, the CIMP is not a “charitable” program. Rather, the CIMP is vital to ensuring PG&E can continue to operate Diablo Canyon in a safe and reliable manner for the next eight years and manage the plant’s closure without further endangering the health and safety its host community.

---

10 See ORA/TURN Comments on Settlement Motion, p. 6.
VI. Witness Information

This rebuttal testimony was prepared by and under the supervision of Eric Prater, Ed.D., in his capacity as Superintendent of the San Luis Coastal Unified School District.
Introduction:

The recent news that Pacific Gas & Electric Company (PG&E) would close the Diablo Canyon Nuclear Power Plant (DCNPP) in 2024-2025 created a new paradigm in San Luis Coastal. The certain loss of $8 million in ongoing unitary tax revenue represents a significant transition challenge because 85-90% of our budget is personnel dependent.

Through intensive negotiations with PG&E (assuming successful approval by the Public Utilities Commission [PUC] this spring), we secured funding in two forms: 1) mitigation funds and 2) education foundation funds. Although we will continue to receive unitary tax revenue through 2024-2025, it will diminish significantly during that timeframe as PG&E depreciates the plant as an asset. We expect to maintain our basic aid status during this time; however, that is never a certainty.

We have nine years to align our anticipated reduced revenues with expenditures. Dramatic increases in employee retirement plan contributions (STRS and PERS) and health care costs, along with automatic step and column salary increases, make this task even more challenging.

The proposed reductions are based on the following key assumptions:

1. Focus on reducing personnel costs;
2. Start the reductions furthest away from the classrooms beginning with the district office and district-subsidized programs;
3. Model cost consciousness and frugality wherever possible;
4. Make decisive reductions at the earliest possible opportunity to make future reductions less severe;
5. Utilize attrition (retirements and resignations) to avoid hurtful layoffs and maximize savings;
6. Monitor and plan for STRS, PERS, and rising health care cost increases.

Process:

Throughout the fall we conducted three public forums to share information about the DCNPP closure while harvesting interests, ideas, and feedback. We also formed a Local Leaders Group that refined the feedback and developed six core themes reflecting priorities and shared interests. During this timeframe, the Board had the opportunity to hear seven distinct staff reports regarding the potential impact of losing these revenues. Five of the staff reports focused on how our Basic Aid funding sets us apart from other state-funded districts including Professional Development; Programs and Services; Salaries, Benefits, and Working Conditions; Class Size; and School Size.
District and site administrators will review these core themes, priorities, and ideas. They will be asked to evaluate them and refine them to ensure their values and priorities are represented in the final product.

From March to June 2017, a superintendent’s Blue Ribbon Committee will undertake the task of using this information to form suggested recommendations to successfully transition the school district through this challenging period. The superintendent will weigh these recommendations and share them next fall with the administration team, staff, and public. Forums will be held to gather additional feedback before a final multi-year recommendation is made to the Board in January 2018.

Based on the assumptions above, the Superintendent is recommending proactive and immediate budget reductions for the 2017-18 school year. They are the following:

<table>
<thead>
<tr>
<th>Reductions implemented in 2016-17</th>
<th>(Savings)</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Office - Assessment Teacher on Special Assignment (TOSA)</td>
<td>($95,866)</td>
</tr>
<tr>
<td>District Office - Combine Admin. Asst. positions from Personnel &amp; Fiscal into 1 FTE</td>
<td>($86,471)</td>
</tr>
<tr>
<td>District Office - Copy Center Technician</td>
<td>($77,264)</td>
</tr>
<tr>
<td>District Office - Sr. Sec. Clerk Instructional Services (ISLA)/Student Services</td>
<td>($70,457)</td>
</tr>
<tr>
<td><strong>Subtotal 2016-17</strong></td>
<td><strong>($330,058)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proposed Reductions for 2017-2018:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>District Office - Consolidate Secondary Director of ISLA with Director, IS&amp;T</td>
<td>($81,000)</td>
</tr>
<tr>
<td>District Office - Consolidate Deputy Director of Student Services with PBHS Principal</td>
<td>($165,028)</td>
</tr>
<tr>
<td>District Contracts with Morro Bay and SLO cities for School Resource Officers</td>
<td>($160,000)</td>
</tr>
<tr>
<td>Transition Reading Recovery to Leveled Literacy Intervention (LLI) model</td>
<td>($130,000)</td>
</tr>
<tr>
<td>MBHS Instructional Aide</td>
<td>($51,292)</td>
</tr>
<tr>
<td>SLOHS Campus Supervisor/Noon Duty</td>
<td>($36,175)</td>
</tr>
<tr>
<td>District Family Services Coordinator</td>
<td>($91,467)</td>
</tr>
<tr>
<td>Adult School - General Fund Assistance</td>
<td>($150,000)</td>
</tr>
<tr>
<td>District Office Clerical Reduction - Instructional Services</td>
<td>($66,494)</td>
</tr>
<tr>
<td>District Instructional Media Center - Library Media Assistants</td>
<td>($49,891)</td>
</tr>
<tr>
<td>Reductions to District Teachers on Special Assignment</td>
<td>($87,263)</td>
</tr>
<tr>
<td>Reductions to District Instructional Coaching Program</td>
<td>($275,310)</td>
</tr>
<tr>
<td>District Professional Development - Consultants, Substitutes, Teacher Hourly</td>
<td>($350,000)</td>
</tr>
<tr>
<td><strong>Subtotal 2017-18</strong></td>
<td><strong>($1,693,920)</strong></td>
</tr>
<tr>
<td><strong>Total Reductions</strong></td>
<td><strong>($2,023,978)</strong></td>
</tr>
</tbody>
</table>
INTRODUCTORY BIOGRAPHY

Eric Prater, Ed.D.
Superintendent, San Luis Coastal Unified School District
San Luis Obispo, California

Eric Prater, Ed.D. - Dr. Prater has served as the superintendent of the San Luis Coastal Unified School District since 2010. Previously, he was superintendent of the Byron Union School District in the San Francisco Bay Area. He began his career in the classroom as an elementary and middle school teacher - but his love for educational leadership led him to the middle school principal role for nearly 15 years. He has earned a Bachelor's of Science in Economics from St. Mary's College of California, Master's of Science in Educational Leadership from California State University, East Bay, and a Doctorate in Organizational Leadership from the University of La Verne. Dr. Prater serves as a member of the State Superintendent’s Advisory Board for the California School Boards Association (CSBA), executive board member for the Schools for Sound Finance (SF2) organization in Sacramento, and is a founding member of the organization - Superintendents for Progressive Educational Leadership (SPEL). He also enjoys coaching youth basketball, cooking, and tasting local fine wines. Dr. Prater lives in San Luis Obispo with his wife and three sons. They enjoy the central coast and take advantage of all that it offers.