BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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)

JOINT MOTION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E), THE
COUNTY OF SAN LUIS OBISPO, THE CITY OF ARROYO GRANDE, THE CITY OF
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, AND ALLIANCE FOR
NUCLEAR RESPONSIBILITY FOR ADOPTION OF SETTLEMENT AGREEMENT

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(U 39 E)

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


I. INTRODUCTION AND REQUEST FOR COMMISSION ACTION

Pursuant to Rule 12.1 of the California Public Utilities Commission’s (Commission or CPUC) Rules of Practice and Procedure, the County of San Luis Obispo (County), the Cities of Arroyo Grande, Atascadero, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo (collectively, the Cities), the San Luis Coastal Unified School District (District), Pacific Gas and Electric Company (PG&E), and Friends of The Earth (FOE), Natural Resources Defense Council (NRDC), Environment California, International Brotherhood of Electrical Workers Local 1245 (IBEW 1245), Coalition of California Utility Employees (CCUE), and Alliance For Nuclear Responsibility (A4NR) \(^1\) (collectively, the Settling Parties) hereby jointly request that the Commission approve the Settlement Agreement (the Agreement), which is included as Attachment 1 to this Motion.

\(^1\) Together, PG&E, FOE, NRDC, Environment California, IBEW 1245, CCUE, and A4NR are the “Joint Parties” to the Joint Proposal filed as Attachment A to the Application in the above-referenced proceeding.
The Agreement is a compromise among the Settling Parties’ respective litigation positions to resolve some, but not all, of the disputed issues raised by parties in the above-referenced proceeding. Specifically, the Agreement addresses the Community Impact Mitigation Program (CIMP) proposed by PG&E in this proceeding, including the ratemaking treatment for the CIMP, subject to reservations of rights by the County, the District, the Cities, and PG&E to address economic impact issues in a future proceeding. Unless otherwise provided in the Agreement, all proposals and recommendations by the Settling Parties in relation to the CIMP, including the Joint Parties’ proposal regarding the CIMP, are either withdrawn or superseded by the Agreement. Additionally, the Settling Parties agree to support the Employee Program as proposed by PG&E in its Application initiating this proceeding, and the County, the Cities, and the District agree not to oppose or to take no position on the remaining relief requested in PG&E’s Application, as modified by the Agreement. The Settling Parties request the Commission approve the Agreement as just and reasonable and as part of its final decision resolving this proceeding.

The Agreement, which is set forth in Attachment 1 to this Motion, is comprised of three substantive components: (1) terms governing the establishment of a $75 million Essential Services Mitigation Fund (ESMF); (2) terms governing the establishment of a $10 million regional Economic Development Fund (EDF); and (3) terms clarifying PG&E’s intent with regard to both emergency planning and future use of the lands surrounding Diablo Canyon Power Plant (Diablo Canyon).

First, the Agreement would increase the ESMF from the $49.5 million originally proposed by PG&E to $75 million, of which $10 million will be dedicated to an educational foundation to be designated by the District. These funds would be paid in nine equal annual installments through 2025.

Second, the Agreement would create a $10 million EDF for implementation of regional economic development and job creation programs by the County and Cities. The purpose of the EDF is to provide immediate funding for actions to create new economic development
opportunities, and it would be used by the Cities and the County solely for economic development and closure impact mitigation purposes. The local governments would report regularly on the use of the funds and the effectiveness of the EDF, and these reports would be submitted to the Commission and be made public.

Third, the Agreement clarifies PG&E’s intent with regard to emergency planning and preparedness spending for onsite and offsite resources during the decommissioning period. The Agreement specifies that PG&E will seek CPUC authorization as part of the Diablo Canyon site-specific decommissioning plan to continue funding the maintenance of the public warning sirens and funding for offsite community and local emergency planning functions until all spent fuel is in dry cask storage and the two nuclear reactors are fully decommissioned.

Finally, the Agreement confirms that PG&E will complete a site-specific decommissioning plan for Diablo Canyon, with input from the local community, before making any decisions on the disposition of the lands surrounding Diablo Canyon.

Each of these substantive components of the Agreement, along with other general and miscellaneous provisions, is summarized more fully below. The Agreement is reasonable in light of the whole record, including the supplemental testimony served concurrently with this Motion. The Agreement takes into account new facts discovered during settlement negotiations regarding the likelihood of greater fiscal impacts to the community from Diablo Canyon’s retirement than PG&E had assumed when it filed its Application.

The Agreement is also consistent with law. As described further below, the Commission has previously approved mitigation funding for similar community impacts associated with changes at Diablo Canyon. Finally, it is in the public interest to recognize and honor the mutually beneficial relationship that has existed between Diablo Canyon and the local community over the past three decades, and to assure the continuity of that relationship for some period of time as that site continues to be occupied by existing structures. Diablo Canyon could not have provided customers throughout PG&E’s service territory with reliable electricity for more than 30 years without the support and willing partnership of the local community. The
community will continue to bear the burdens of hosting a nuclear power plant and spent-fuel storage facilities for many years to come, even after most components of the plant are fully depreciated, and it is reasonable for customers to provide the ESMF and EDF as mitigation and economic transitional assistance given that Diablo Canyon is the largest private employer in the County. As described more fully below and in accompanying testimony, the incremental impact on customer rates associated with this Agreement is very small, but the mitigation will play a critical role in the community’s long-term economic strategy.

The remainder of this Motion is organized as follows:

- Section II describes the interests represented by the Settling Parties.
- Section III provides a procedural history of this matter.
- Section IV summarizes the litigation positions taken by the Settling Parties.
- Section V explains why the Agreement is reasonable in light of the whole record, consistent with law, and in the public interest, as required by CPUC Rule 12.1(d).
- Section VI summarizes the Agreement and its ratemaking impacts.
- Section VII discusses the impact of this Motion on the schedule for this proceeding.
- Section VIII provides a brief conclusion.

II. INTERESTS OF SETTLING PARTIES

The Settling Parties represent a variety of interests. PG&E represents the interests of its customers. The County, the District, and the Cities represent the interests of their respective constituents in the political jurisdictions surrounding Diablo Canyon in San Luis Obispo County. FOE, NRDC, and Environment California represent the interests of their members and supporters by defending the environment, championing a healthy and just world, and protecting California’s air, water and open spaces. FOE also represents the economic interest of PG&E's customers, especially low income customers, in obtaining their electric service at just and reasonable rates. IBEW 1245 and CCUE represent the interests of their member electrical
workers, including employees of PG&E. A4NR represents the interests of consumers concerned about the costs and safety of PG&E’s nuclear operations.

III. PROCEDURAL HISTORY

On August 11, 2016, PG&E filed the Application initiating this proceeding and seeking the Commission’s approval of requests related to four sections in the Joint Parties’ Proposal, including recovery of the costs associated with the Joint Proposal through proposed ratemaking mechanisms. Concurrent with filing the Application, PG&E also served its prepared testimony.

On September 15, 2016, the Cities filed a motion for party status and a protest to the PG&E’s Application. The District filed a response to the Application on September 15, 2016. The County served a response to the Application on that date, but due to a filing error the response was not docketed. FOE, NRDC, and Environment California filed a joint response to the Application on the same date. IBEW 1245 and CCUE filed a separate joint response to the Application on the same date. A4NR filed a limited Protest to the Application on that same date, as well. On September 23, 2016, the County filed a motion for leave to late-file its response to the Application, which was granted by Administrative Law Judge (“ALJ”) Peter Allen at the pre-hearing conference for this proceeding and filed on October 6, 2016.

On September 26, 2016, PG&E filed a reply to the responses and protests filed by parties, including those of the Cities, the County, and the District.

On October 20, 2016, the Commission conducted two Public Participation Hearings on this Application, held in San Luis Obispo County.

On October 27, 2016, ALJ Allen ordered PG&E to serve supplemental testimony addressing issues related to the ownership and disposition of lands associated with Diablo Canyon. PG&E served this supplemental testimony on November 18, 2016.

2 The Joint Proposal was included as Attachment A to the Application. PG&E’s specific requests are included in Section IV of the Application.
On November 18, 2016, the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge (Scoping Memo) was issued. In relevant part, the Scoping Memo allowed parties to serve testimony with regard to the CIMP, including alternative proposals. The Scoping Memo instructed parties to address economic impacts and emergency services impacts separately. Finally, the Scoping Memo found that implementation of Senate Bill 968 (Monning), which requires the Commission to complete an assessment of the local economic impacts of the proposed retirement of Diablo Canyon (the Monning Report), should go forward independently from this proceeding. The Scoping Memo found hearings to be necessary and established a schedule that requires intervenor testimony to be served on January 27, 2017, which is the same date on which Rule 12.2 requires comments on this Motion to be filed. Hearings are scheduled for April 18, 2017, through April 28, 2017.

With regard to settlement, the Scoping Memo noted that while it did not include specific dates for settlement conferences, it did not preclude parties from meeting at other times provided notice was given consistent with the Commission’s Rules. Accordingly, PG&E and other Settling Parties conducted settlement discussions and announced an agreement in principle on November 18, 2016 when PG&E served notice of a settlement conference on all parties to this proceeding. In accordance with the Commission’s Rule 12.1(b), the Settling Parties held the settlement conference more than seven days later, on November 28, 2016. Following the settlement conference, the Settling Parties signed the Agreement.

The Commission held a workshop in this proceeding, focused primarily on topics other than the CIMP, on December 8, 2016.

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1 Scoping Memo, p. 4.
2 Ibid.
3 Id., p. 5.
4 Id., p. 11.
5 Id., p. 12.
6 Id., p. 12.
During this proceeding, PG&E has responded to discovery propounded by the County, among other parties.

IV. SUMMARY OF SETTLING PARTIES’ LITIGATION POSITIONS REGARDING THE CIMP

The following subsections summarize the various Settling Parties’ litigation positions with regard to the CIMP.

A. Position of PG&E and the Other Joint Parties

The Joint Parties’ Proposal represents a landmark agreement to ensure the orderly retirement of Diablo Canyon, which has provided reliable energy to California for more than 30 years, and to replace it with GHG-free resources, while at the same time addressing the needs of employees and the community. Section 4 of the Joint Proposal, which is reflected in the Application, recognizes and honors the mutually-beneficial relationship that has existed between Diablo Canyon and the local community in which it is situated over the past three decades.

Diablo Canyon has provided reliable electricity for more than 30 years. It has done so with the support and assistance of the local community that has provided a home for Diablo Canyon and its employees. Over many years, the local community has both reaped the many benefits and also borne the burdens – both realized and potential – associated with hosting an operating nuclear power plant. Simply put, Diablo Canyon could not have realized its tremendous value to all of PG&E’s customers without the help and willing partnership of the local community.

PG&E’s Diablo Canyon facility is one of the largest employers, taxpayers, and charitable contributors in the San Luis Obispo County area. It currently pays approximately $22 million in annual property taxes to the local community. In order to continue to support this local community even as the facility begins to retire, PG&E originally proposed to provide $49.5 million in funding to entities within San Luis Obispo County over a nine-year period to mitigate
the decline in the economic benefit that the plant’s operations have traditionally provided. The mitigation payment would be recovered through nuclear decommissioning funding.

In addition, PG&E proposed to continue its support for state and local emergency planning and preparedness, including continuing support for the County’s early warning system, until the decommissioning of Diablo Canyon is complete. The litigation position of PG&E and the other Joint Parties at the time of filing the Application was that the original CIMP struck the right balance between providing appropriate transitional assistance to the community while also recognizing that the community must manage this transition so that it can thrive in the longer term without the historic levels of spending and taxes funded by PG&E customers.

B. County’s Position

While the County did not oppose the plan to retire Diablo Canyon in 2025, it argued that PG&E’s Application and the Joint Proposal defined the scope of retirement-related issues too narrowly and underestimated the value of PG&E’s unitary tax payments to the County and other local jurisdictions. The County argued that these issues must be addressed in a comprehensive plan to retire Diablo Canyon. Noting that Diablo Canyon imposes unique burdens on every resident and taxpayer of the County, the County argued that the following issues should be included in the scope of the proceeding and examined: (1) PG&E’s estimate of tax-related community impacts; (2) mitigation of indirect economic impacts associated with the retirement; (3) continued operation of the desalination plant after retirement; (4) the need to clarify that emergency response and planning activities would continue at current levels; and (5) the need to address the future use of land and water surrounding Diablo Canyon.

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9 See Testimony of Thomas P. Jones, dated August 11, 2016 (Jones Testimony), p. 8-4.
10 Id., p. 8-8.
11 Id., pp. 8-6 to 8-8.
12 Response of the County to A.16-08-006, dated September 15, 2016 (County Response), pp. 2-3.
13 Id., p. 1.
With regard to estimates of reductions in Diablo Canyon tax revenues, the County performed its own analysis of PG&E’s historical and expected unitary tax contributions related to Diablo Canyon and concluded that such impacts would be closer to $100 million than to the $49.5 million set forth in PG&E’s opening testimony.\textsuperscript{15} The County believed that there was insufficient information in the record for the County to agree with PG&E’s estimates.

With regard to indirect economic impacts, the County cited to a 2013 economic impact study included in PG&E’s testimony that quantified such economic impacts at $1.46 billion in 2027 and $42.5 billion cumulatively over the next three decades.\textsuperscript{16} While the County did not suggest that PG&E must continue funding the local economy at the levels associated with an operational power plant once Diablo Canyon has closed, the County’s position was that the Joint Proposal and Application did not sufficiently address these indirect impacts.\textsuperscript{17}

C. Cities’ Position

Although the Cities also do not oppose the decision to retire Diablo Canyon, they protested PG&E’s lack of consultation with them prior to announcing the Joint Proposal.\textsuperscript{18} The Cities raised concerns regarding adverse economic, fiscal, emergency preparedness and response, and environmental effects of the decommissioning on the Cities.\textsuperscript{19} The Cities also protested what they viewed as a lack of information upon which to base their decisions on behalf of their constituents and the lack of a number of decommissioning details in the scope of the Application.\textsuperscript{20}

\textsuperscript{15} Id., p. 3; see also Testimony of James P. Erb, dated December 28, 2016 (“Erb Testimony”), p. 4 (to be served simultaneously with the filing of this Motion).

\textsuperscript{16} County Response, pp. 4-5.

\textsuperscript{17} Id., pp. 5-6.

\textsuperscript{18} Protest of the Cities to Application 16-08-006, filed September 15, 2016 (Cities’ Protest), p. 3.

\textsuperscript{19} Id., pp. 4-5.

\textsuperscript{20} Id., pp. 4-6.
With regard to economic and fiscal impacts, the Cities argued that, at a minimum, PG&E should be required to make payments to the Cities equal to their combined property, sales, and other local taxes over the nine-year period to mitigate the decline in the taxes that the plant’s operations have traditionally provided.\(^{21}\) With regard to emergency planning and environmental impacts, the Cities took the position that, at a minimum, PG&E should revise its showing to include detailed plans regarding funding for spent fuel management, decommissioning, hazardous waste disposal, and maintaining and enhancing emergency preparedness and response capabilities.\(^{22}\) More specifically, the Cities argued that the Commission should require maintenance of current funding from PG&E for the County Office of Emergency Services until removal of all spent nuclear fuel.\(^{23}\) Additionally, the Cities argued that PG&E should provide financial resources to help the region identify economic development strategies and give funding to implement strategies to address the economic impacts related to the anticipated loss of Diablo Canyon.\(^{24}\) Finally, with regard to land use issues, the Cities argued that the Commission should require PG&E to work with the community on land disposition issues.\(^{25}\)

**D. District’s Position**

The District intervened in this proceeding because the property tax PG&E pays for Diablo Canyon each year accounts for a significant portion of the District’s annual funding.\(^{26}\) This raised two concerns for the District. First, the District argued that the level of continued funding contemplated by the Joint Proposal would not fully offset the decline in County revenues resulting from PG&E’s closure of Diablo Canyon and its accelerated depreciation of associated property tax payments.

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\(^{21}\) *Id.*, p. 13.

\(^{22}\) *Id.*, p. 14.

\(^{23}\) *Id.*, p. 15.

\(^{24}\) *Id.*, pp. 12-13.

\(^{25}\) *Id.*, p. 15.

\(^{26}\) Response of the District, filed September 15, 2016 (District Response), p. 1.
assets. Second, the District had concerns that the size of the annual payments PG&E would 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 District sought greater clarity and the resolution of its concerns in order to better manage the transition to the post-decommissioning era and minimize the disruptions to the District’s students, teachers, and staff.

V. **THE COMMISSION SHOULD APPROVE THE AGREEMENT AS REASONABLE IN LIGHT OF THE WHOLE RECORD, CONSISTENT WITH LAW AND IN THE PUBLIC INTEREST**

A. **Legal Standard for Settlements**

Commission Rule 12.1(d) sets forth the standard for approval of settlements:

> The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

The Commission approves settlement agreements based on whether the settlement agreement is just and reasonable as a whole, not based on its individual terms:

> In assessing settlements we consider individual settlement provisions but, in light of strong public policy favoring settlements, we do not base our conclusion on whether any single provision is the optimal result. Rather, we determine whether the settlement as a whole produces a just and reasonable outcome.

Numerous Commission decisions “have endorsed settlements as an ‘appropriate method of alternative ratemaking’ and express a strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record.” It is long-standing Commission policy to strongly favor settlement. This policy supports many worthwhile goals, including not

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27 *Id.*, p. 2.
29 *Id.*, p. 3.
31 See, e.g., D.05-10-041, p. 47; D.15-03-006, p. 6; and D.15-04-006, p. 8.
32 D.10-06-038, p. 38.
only reducing the expense of litigation and conserving scarce Commission resources, but also allowing parties to reduce the risk that litigation will produce unacceptable results.\textsuperscript{33}

The Commission’s general policy supporting settlements and alternative dispute resolution was reiterated in the current proceeding.\textsuperscript{34}

B. The Agreement Is Reasonable in Light of the Record as a Whole

The Agreement reflects a reasonable balance of the various interests affected in this proceeding. The Settling Parties had the opportunity through their settlement discussions and in separate meetings with staff of the State Board of Equalization (SBE) to better understand the fiscal impacts on local governments of the retirement of Diablo Canyon. Even with this better understanding, the Settling Parties acknowledge the complexity and remaining uncertainties inherent in trying to forecast these fiscal impacts.\textsuperscript{35} These discussions and further analysis resulted in a clearer understanding that fiscal impacts would be significantly greater than PG&E’s original estimate, but the parties disputed the actual forecast of these impacts and considered scenarios and assumptions that resulted in impact forecasts that ranged between approximately $65 million to $100 million through the period until retirement in 2025.\textsuperscript{36} Although the Settling Parties do not intend the Community Program to directly replace property tax revenues or to provide new tax revenues, the Settling Parties viewed the general magnitude of the tax reduction as one indicator of the fiscal impact on the community that should be mitigated by the Community Program.\textsuperscript{37} When considering the range of potential fiscal impacts and uncertainties in those calculations, the benefits that have accrued to PG&E’s customers over the three decades of Diablo Canyon’s operations, and the significant impacts on essential

\textsuperscript{33} D.14-12-040, p. 15.
\textsuperscript{34} Scoping Memo, pp. 12-13.
\textsuperscript{35} See Erb Testimony, p. 5; Supplemental Testimony of Thomas P. Jones, dated December 28, 2016 (Jones Supplemental Testimony), p. 4 (to be served simultaneously with the filing of this Motion).
\textsuperscript{36} See Erb Testimony, p. 4; Jones Supplemental Testimony, p. 4.
\textsuperscript{37} See Jones Supplemental Testimony, p. 3.
services that drastic reductions in tax revenues during the transition period would cause,\textsuperscript{38} the Settling Parties agreed that the Agreement terms summarized in Section VI of this Motion, including a proposed ESMF of $75 million and a regional EDF of $10 million, were reasonable and appropriate mitigation, subject to reservations of rights to revisit economic mitigation issues in a subsequent proceeding following completion of the SB 968 (Monning) study.

\textbf{C. The Agreement Is Consistent with Law and Prior Commission Decisions}

The Settling Parties believe, and herein represent, that no term of the Agreement contravenes statutory provisions or prior Commission decisions.\textsuperscript{39} The Settling Parties are aware of no statutory provisions or controlling law that would be contravened or compromised by the Agreement. In fact, as discussed further below, the Commission has previously approved mitigation payments to compensate the local community for similar impacts associated with the depreciation of Diablo Canyon.\textsuperscript{40}

\textbf{D. The Agreement Is in the Public Interest}

The local community, as the host site for Diablo Canyon, has reaped the benefits and shouldered the burdens that come with hosting a nuclear power plant. The benefits are high salaries, recession-resistant jobs, the unitary tax, and PG&E’s contribution to the local economy. These benefits will decline as Diablo Canyon goes through retirement and then decommissioning. However, the community will continue to host stored irradiated nuclear fuel for the foreseeable future, and it will continue to face long-term limitations on uses of land due to

\textsuperscript{38} See Testimony of Dan Buckshi, dated December 28, 2016 (Buckshi Testimony), pp. 1-2 (to be served simultaneously with the filing of this Motion).

\textsuperscript{39} In D.00-09-037 (p. 11), the Commission based its finding that the third criteria had been met on representation by the settling parties that they expended considerable effort ensuring that the Settlement Agreement comports with statute and precedents, and did not believe that any of its terms or provisions contravene statute or prior Commission decisions. See also, D.07-04-043, p. 88.

safety and access restrictions. Due to both these benefits and limitations, the local community’s economy has been shaped by Diablo Canyon and will suffer a large blow when the plant closes.

Without the ESMF provided by the Agreement, each local taxing jurisdiction’s budget would shrink exponentially every year as Diablo Canyon’s book value is depreciated to zero in 2025.\(^{41}\) Budget reductions would require that essential services—including critical public health and safety programs, as well as fire districts, water districts, flood control districts, and infrastructure maintenance—be reduced.\(^{42}\) Budget reductions could also require reductions in staffing for the County, cities, and the District.\(^{43}\) The District’s school programs could also be reduced or eliminated.\(^{44}\) With regard to regional economic impacts, the lack of the EDF provided by the Agreement would require that economic development and mitigation activities be postponed until grants or other sources of revenue could be obtained, or other discretionary revenue would need to be used to fund these initiatives.\(^{45}\) With the unitary tax decrease over the next nine years, discretionary revenue will be reduced and the funding of economic development from this source of revenue would come at the expense of other services, such as police, fire, public health, and the other essential services.\(^{46}\)

Diablo Canyon has provided reliable electricity for PG&E’s customers for more than 30 years. It has done so with the support and assistance of the local community that has provided a home for Diablo Canyon and its employees. While broader State policy objectives and the rapidly changing nature of the electric sector have made it beneficial to retire Diablo Canyon at the end of its current operating license, all electric customers in PG&E’s service area have benefited from Diablo Canyon’s reliable energy. In return for these benefits, customers pay for

\(^{41}\) Buckshi Testimony, p. 1.
\(^{42}\) Ibid.
\(^{43}\) Ibid.
\(^{44}\) Ibid.
\(^{45}\) Id., p. 3.
\(^{46}\) Ibid.
the decommissioning of the facility, including costs to ensure that the local host community, which has borne and will continue to bear the risks of the site operations and storage, has a reasonable opportunity to transition to a new economic reality without the operating plant and associated revenues. In light of the additional facts and uncertainties that have come to light through the settlement negotiations, the Settling Parties believe that this Agreement strikes the right balance between providing appropriate transitional assistance to the community while also recognizing that the community must manage this transition so that it can thrive in the longer term without the historic levels of spending and taxes funded by PG&E customers.

There is precedent for the type of transitional assistance proposed in the Agreement. Reacting to similarly rapid changes in Diablo Canyon’s depreciation schedule in the late 1990s due to deregulation, PG&E and the local community proposed, and the Commission approved, $10 million to be paid to the county and local jurisdictions over a four-year transition period.47 Faced with even more drastic economic changes as Diablo Canyon retires, the Commission should again find that such transitional assistance is in the public interest and should approve the CIMP as modified by the Agreement.

VI. SUMMARY OF SETTLEMENT AGREEMENT

The Agreement is Attachment 1 to this Motion and is comprised of the following parts: a cover document that describes the procedural and legal background relevant to the Agreement, general settlement terms and conditions, and general provisions; Appendix 1, which describes the specific terms and conditions of the Agreement with regard to the ESMF; Appendix 2, which describes the specific terms and conditions of the Agreement with regard to the EDF; and Appendix 3, which describes the specific terms and conditions of the Agreement with regard to land use and emergency planning. Not all Settling Parties have agreed to all terms set forth in the Appendices to this Agreement. Sections 1-3 of the Settlement Terms and Conditions section of the Agreement’s cover document identify the specific Settling Parties that have agreed to

47 See Resolution E-3535, supra.
support each of the Appendices. However, each of the Settling Parties agrees to recommend that the Commission approve and adopt this Settlement in its entirety without change and has further agreed not to oppose any of the terms in the Appendices. 48

The terms and conditions of the Agreement are meant to provide a complete and final resolution of the CIMP-related issues in this proceeding, subject to reservations of rights set forth herein by the County, the District, the Cities, and PG&E to address economic impact issues in a future proceeding informed by the Monning Report and other subsequently developed economic impact data. 49

A. Summary of ESMF Provisions – Appendix 1

The ESMF provisions of the Agreement were negotiated between the District, the County, and PG&E (on behalf of the Joint Parties). These parties agreed to increase the ESMF from the $49.5 million originally proposed by PG&E to $75 million, of which $10 million will be dedicated to an educational foundation to be designated by the District. These funds, including the $10 million portion to be dedicated to a District educational foundation, will be distributed to the County in nine equal annual installments through 2025. The funds will be distributed on September 1st of each year, following a final and non-appealable CPUC decision approving the Application, as revised by this Agreement.

Attachment A to Appendix 1 is a schedule showing how the County will distribute the ESMF following receipt of each annual payment from PG&E. The County based this allocation on the 2015-2016 unitary tax allocations, revised as described in paragraph 2 of Appendix 1 and in Attachment A to Appendix 1.

The parties to Appendix 1 agree that the ESMF is not intended to be a replacement or payment in-lieu of the unitary tax revenue associated with Diablo Canyon, but is rather a

48 Agreement, p. 4; id. § 6.4, p. 6.
49 Id., p. 4.
mitigation measure that is based on many factors, including forecasts of tax revenue declines in
the future.

The parties to Appendix 1 agree that the costs of the ESMF should be collected through
the nuclear decommissioning charge, as proposed in the Application.

Finally, Appendix 1 provides that the Settling Parties will mutually support the Employee
Program component of the Application and makes effectiveness contingent upon several further
steps, including Commission approval.

B. Summary of EDF Provisions – Appendix 2

The EDF provisions of the Agreement were negotiated between the County, the Cities,
and PG&E (on behalf of the Joint Parties). The purpose of the EDF provisions is to provide
immediate funding for actions to create new economic development opportunities, to mitigate
impacts associated with the pending closure of Diablo Canyon, and to facilitate the transition of
the impacted regional communities. The EDF will be used by the County and Cities solely for
economic development mitigation purposes, and Section 3 of Appendix 2 provides for regular
reports accounting for the funds and assessing the EDF’s effectiveness. Pursuant to the
Agreement, these reports will be submitted by PG&E to the Commission and made available to
the public.

The EDF is a $10 million fund for implementation of regional economic development
and job creation programs to be utilized by the County and impacted Cities within the County.
Unless otherwise agreed by the parties, PG&E would create the fund and make funds available to
the County and Cities within 30 days of a final and non-appealable Commission approval of the
Application, as modified by the Agreement, except that PG&E would pay $400,000 of the fund
immediately following issuance of the Commission’s decision approving the complete
Application, so that the region could begin work immediately on developing a scope and plan for

\[50\] See Section 2 of Appendix 2; Buckshi Testimony, pp. 2-3 (describing regional economic impacts).
use of the EDF.\textsuperscript{51} The EDF would be allocated among the Cities and the County as set forth in Attachment A to Appendix 2.

As part of the overall CIMP, the EDF would be recovered through the nuclear decommissioning charge, as described in Chapter 10 of PG&E’s prepared testimony in this proceeding.\textsuperscript{52}

The parties to Appendix 2 agree that the economic impacts of Diablo Canyon’s retirement should be considered as a part of a separate proceeding following issuance of the Monning Report.\textsuperscript{53} The Settling Parties support Commission resolution of this proceeding immediately, without delay for further consideration of the economic impacts of Diablo Canyon closure.\textsuperscript{54} The parties to Appendix 2 reserve all rights in any future proceeding to consider the Monning Report to advocate for or to oppose further funding of economic impact mitigation by PG&E and/or its customers.\textsuperscript{55}

The parties to Appendix 2 agree to work together to advocate jointly for additional funding or other assistance from the State of California and Federal government agencies, and their respective legislative bodies, to support the economic transition of the local community.\textsuperscript{56} This provision is not intended to bind parties to specific funding levels or positions.

The parties to Appendix 2 agree to support the Employee Program as set forth in PG&E’s Application, and they agree that the effectiveness of the EDF provisions are contingent on Commission approval.

\textsuperscript{51} See Section 5 of Appendix 2.
\textsuperscript{52} Section 8 of Appendix 2.
\textsuperscript{53} Section 1 of Appendix 2.
\textsuperscript{54} Ibid.
\textsuperscript{55} Section 6 of Appendix 2.
\textsuperscript{56} Section 7 of Appendix 2.
C. Emergency Planning and Land Use Provisions – Appendix 3

The land use and emergency planning provisions of the Agreement were negotiated between the County and PG&E (on behalf of the Joint Parties). The purpose of these provisions was to provide further clarity regarding these topics than PG&E had originally provided in its prepared testimony.\(^{57}\)

First, with regard to emergency planning and preparedness, Appendix 3 describes what PG&E intends to propose for Commission consideration as part of its forthcoming site-specific decommissioning plan (to be filed in the next Nuclear Decommissioning Costs Triennial Proceeding (NDCTP)).\(^{58}\) Pursuant to existing state law, PG&E will maintain current funding levels the maintenance of all emergency response-related equipment, including the public warning sirens, as well as the approximately $4 million in funding for offsite state and local emergency planning functions, as required to be adjusted pursuant to state law, through cessation of plant operations in 2025. Infrastructure that is directly maintained by PG&E as of June 21, 2016, will continue to be fully maintained by PG&E.\(^{59}\) After that time, that the maintenance of the public warning sirens and funding for offsite community and local emergency planning functions will continue until all spent fuel is in dry cask storage and the two nuclear reactors are fully decommissioned.\(^{60}\) The funding for other emergency preparedness equipment, training, emergency planning functions, and PG&E’s emergency response personnel will be informed by the reduced risks that remain and will be more definitively proposed in the site-specific decommissioning estimate.\(^{61}\) The parties to Appendix 3 also agree that PG&E will form a decommissioning advisory panel to provide input into the site-specific decommissioning plan, and that this will include specific groups of stakeholders, including those from the local

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\(^{57}\) See Supplemental Jones Testimony, p. 5.

\(^{58}\) Section 1 of the Emergency Planning and Preparedness Provisions in Appendix 3.

\(^{59}\) Section 2 of the Emergency Planning and Preparedness Provisions in Appendix 3.

\(^{60}\) Section 3 of the Emergency Planning and Preparedness Provisions in Appendix 3.

\(^{61}\) Section 4 of the Emergency Planning and Preparedness Provisions in Appendix 3.
Finally, the parties reserve their arguments regarding the appropriate emergency planning activities and funding levels following the surrender of Diablo Canyon’s Part 50 operating licenses (once decommissioning of the reactors is complete).  

With regard to land use, the parties to Appendix 3 agree that PG&E will complete a site-specific decommissioning plan for the facility before making any decisions on the disposition of the Diablo Canyon lands. Appendix 3 also provides that as part of the site-specific decommissioning plan development, PG&E will convene a community advisory group that will give stakeholders an opportunity to help shape the future use of PG&E’s land plans. Appendix 3 attaches a letter from PG&E to the County dated October 4, 2016, in which PG&E made the same commitment with regard to the Diablo Canyon lands.

D. Other General and Miscellaneous Provisions

In addition to the specific terms found in the Appendix, the Agreement contains a number of general and miscellaneous provisions. Several of these have already been summarized above or are general provisions common to settlement agreements, but a few warrant specific mention.

First, the Joint Parties agree to modify their prior Joint Proposal to accommodate the Agreement. Second, Section 6.5 provides that if the Commission does not approve the Agreement in its entirety and without modification, the Settling Parties will meet and confer to try to resolve next steps. If they cannot agree to a resolution, the Agreement will terminate and be rescinded by its own terms. This provision should be read in conjunction with Section 7.3, which provides that the provisions of the Agreement are not severable and, therefore, that the Agreement will be rescinded if any governmental authority modifies or declares invalid any of

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64 Section 2 of the Land Use Provisions in Appendix 3.
65 Ibid.
66 Agreement, Section 5.
67 Agreement, Section 6.5.
the provisions. Thus, for example, the Commission’s rejection of the ratemaking or cost recovery provisions included in the Agreement will invalidate the Agreement in its entirety. Finally, Section 7.8 provides that the Agreement will become effective on the date that a Commission decision approving it is final and non-appealable, except for payment of $400,000 of the EDF as described in Appendix 2 to the Agreement, which shall be payable upon issuance of a the Commission’s decision approving the complete Application, as modified.

E. Ratemaking Issues Associated with the Agreement

PG&E’s Application originally requested the Commission approve the recovery of the original CIMP cost of $49.5 million through the Nuclear Decommissioning Nonbypassable Charge (ND NBC). The revenue requirement calculation for the CIMP was presented in Chapter 10 of PG&E’s prepared testimony. The costs for the emergency planning and preparedness provisions of the CIMP were originally, and will continue under the Agreement to be, included in the site-specific decommissioning study to be provided in PG&E’s next NDCTP filing and recovered with the rest of the decommissioning cost study forecasted costs through the ND NBC.68

As described in Chapter 10 of PG&E’s prepared testimony, PG&E proposed to recover the $49.5 million over an 8-year period. Recovery would have been through an annual expense-only revenue requirement of $6.3 million from January 1, 2018 through December 31, 2025, to be recovered as part of the Annual Electric True-Up (AET) advice letter through the ND NBC. Tracking of the actual revenues, including Franchise Fees and Uncollectibles (FF&U), collected through the ND NBC rate component would occur through the Nuclear Decommissioning Adjustment Mechanism (NDAM).

The Agreement changes PG&E’s original ratemaking proposal in two ways. First, it increases the ESMF from $49.5 million to $75 million, to be paid out in equal annual

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68 See Supplemental Testimony of Teresa Hoglund, dated December 28, 2016, p. 1 (served concurrently with this Motion).
installments from 2017-2025. Recovery would continue to be through an annual expense-only revenue requirement from January 1, 2018 through December 31, 2025, but the revenue requirement will increase from $6.3 million to $9.5 million.\footnote{Id., p. 2.}

Second, PG&E assumes for purposes of projecting ratemaking impacts that it will pay a lump sum of $10 million to fund the EDF on September 1, 2017. PG&E proposes to recover this payment through a one-time expense-only revenue requirement of $10.1 million from January 1, 2018 through December 31, 2018.\footnote{Id., p. 2.} As with the ESMF recovery, the EDF payment would be recovered as part of the AET advice letter through the ND NBC. Tracking of the actual revenues, including FF&U, collected through the ND NBC rate component would occur through the NDAM.\footnote{Ibid.}

Other than these two changes, the ratemaking for the CIMP would remain as originally proposed in Chapter 10 of PG&E’s prepared testimony.\footnote{Ibid.}

The use of the ND NBC is appropriate because the costs of the CIMP should be recovered from all customers who benefited from the reliable operation of Diablo Canyon since 1985, including departed load.

As described in PG&E’s prepared testimony,\footnote{Prepared Testimony of Thomas P. Jones, Chapter 8 to Exhibit PG&E-1, p. 8-8.} Diablo Canyon is one of the most reliable nuclear power plants in the country. Diablo Canyon has provided electricity for more than 3 million northern and central California homes and generates at least 22 percent of the power PG&E provides to the 48 California counties in its service territory.

Additionally, the costs of the CIMP are similar in nature to the employee severance costs that the Commission has already approved to be collected in decommissioning rates.\footnote{See D.14-12-082, p. 88.}

\footnote{Id., p. 2.}

\footnote{Id., p. 2.}

\footnote{Ibid.}

\footnote{Ibid.}

\footnote{Prepared Testimony of Thomas P. Jones, Chapter 8 to Exhibit PG&E-1, p. 8-8.}

\footnote{See D.14-12-082, p. 88.}
CIMP costs provide similar transitional assistance, and the 2017-2025 timeframe of the payments is appropriate given the unique circumstances of the long-term plan to transition toward plant retirement. Given that all customers have enjoyed the benefits of Diablo Canyon since 1985, it is reasonable to ask all customers to support the community’s transition through the CIMP.

VII. IMPACT ON THE SCHEDULE OF THIS PROCEEDING

The Settling Parties have expedited their preparation of this Motion in order to allow the comments on the Motion to be due at the same time that intervenors’ testimony is due pursuant to the Scoping Memo. PG&E does not anticipate filing any additional settlements in this proceeding. Accordingly, the Settling Parties propose that this Agreement be considered on the same schedule set forth in the Scoping Memo with regard to any necessary evidentiary hearings and that the Agreement be resolved as part of the Commission’s resolution of the entire proceeding.

VIII. CONCLUSION

The record of this proceeding, as supplemented by the testimony served concurrently with this Motion, and Commission precedent support the adoption of this Agreement as furthering the public interest in ensuring that all customers share in the mitigation of significant impacts to the local community that will result from the retirement of Diablo Canyon. While none of the Settling Parties received everything that it wanted from this Agreement, the Agreement as a whole is a reasonable compromise between the Settling Parties’ litigation positions, particularly in light of the additional facts discovered during settlement discussions described further in this Motion and the supplemental testimony being served concurrently. For the foregoing reasons, the Settling Parties hereby request that the Commission approve the Agreement in its entirety.

75 This due date has been set as January 27, 2017. Scoping Memo, p. 11.
Pursuant to Commission Rule 1.8(d), counsel or representatives for the Settling Parties have authorized PG&E to submit this Motion on their behalf.

Respectfully Submitted,

WILLIAM MANHEIM
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Attorney for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: December 28, 2016
ATTACHMENT 1
BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA


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

(U 39 E)

SETTLEMENT AGREEMENT BETWEEN
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E),
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,
AND ALLIANCE FOR NUCLEAR RESPONSIBILITY

The County of San Luis Obispo (“County”), the Cities of Arroyo Grande, Atascadero,
Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo (collectively, the “Cities”), the San
Luis Coastal Unified School District (“District”), Pacific Gas and Electric Company (“PG&E”),
and Friends of The Earth, Natural Resources Defense Council, Environment California,
International Brotherhood of Electrical Workers Local 1245, Coalition of California Utility
Employees, and Alliance For Nuclear Responsibility (together with PG&E, the “Joint Parties” to
the Joint Proposal filed as Attachment A to the Application in the above-referenced proceeding)
(collectively, the “Parties”), enter into this Settlement Agreement (“Settlement”) as a
compromise of their respective litigation positions to resolve the disputed issues between the
Parties raised in the above-captioned proceeding. This Settlement addresses the Community
Impact Mitigation Program (“CIMP”) proposed by PG&E in this proceeding, including the
ratemaking treatment for the CIMP. The Parties request the California Public Utilities
Commission’s (“Commission”) approve the Settlement as just and reasonable.

BACKGROUND

A. On August 11, 2016, PG&E filed this Application seeking the Commission’s
approval to implement portions of a Joint Proposal for the Retirement of Diablo Canyon Power
Plant (“Joint Proposal”). Concurrent with filing the Application, PG&E also served its Prepared
Testimony and workpapers. On September 15, 2016, the Cities filed a protest and motion for
party status in this proceeding and the District filed a response to the Application. The County
served its response on September 15, 2016, but a filing error prevented the response from being
docketed. The County filed a motion for leave to late-file a response to the Application on
September 23, 2016; the motion was granted and the County formally filed its response October
6, 2016. On September 26, 2016, PG&E filed a reply to the responses and protests filed by
parties, including those of the Cities, the County, and the District.

B. In its Application, PG&E proposed a $49.5 million fund as part of the CIMP to
provide transitional assistance to the local community in connection with the retirement of the
Diablo Canyon Nuclear Power Plant (“Diablo Canyon”). PG&E proposed a stream of mitigation
payments between 2017 and 2025 as a way to assist the local community to prepare and plan for
the long-term loss of economic stimulus that Diablo Canyon provides. PG&E calculated the size
of the community impact mitigation payments based upon the forecasted reductions in Diablo
Canyon property tax base over that same period. The rapid loss of unitary tax funding levels will
have significant impacts on the County, the District and 71 other local taxing jurisdictions.

C. PG&E entered into settlement discussions with the Cities, the County, and the
District to address concerns about PG&E’s proposal. The County, District, and PG&E each met
with the the State Board of Equalization (“SBE”) to better understand the unitary tax allocation
methodology and the implications for the local community assuming a 2024 (Unit 1) and 2025
(Unit 2) shutdown of Diablo Canyon. As a result of these discussions, the Parties have learned
that the proposed $49.5 million mitigation fund was based on simplified assumptions and
understates the reduction in unitary taxes that is likely to occur over the next 9 years. The
County, District, PG&E, and the remaining Joint Parties have reached a compromise on the
appropriate funding levels for an Essential Services Mitigation Fund, as set forth in this
Settlement.
D. Public Utilities Code Section 712.5 (added by Senate Bill ("SB") 968 (2016, Monning)) requires the Commission to cause an assessment of adverse and beneficial economic impacts for the County and surrounding regions that could occur due to the shutdown of Diablo Canyon ("Monning Report"). The Monning Report will review potential actions for the state and local jurisdictions to consider in order to mitigate the economic impacts of a shutdown. The Cities have requested that the Commission review such issues in this proceeding and have expressed concern that the Monning Report will not be completed in time for consideration in the proceeding. The County has suggested the Monning Report be considered in a second phase of this proceeding or a separate proceeding initiated after this proceeding concludes. PG&E has taken the position that such economic impacts are out of scope in this proceeding given the separate procedural path specified by the California Legislature for review. On November 18, 2016, the Assigned Commissioner and Administrative Law Judge filed the scoping memo in this matter, finding community economic impacts to be within the scope of the current proceeding. Notwithstanding that ruling, the Cities, County, PG&E, and the remaining Joint Parties have reached a compromise on the procedural path for the future evaluation of economic impacts and the creation of an Economic Development Fund, as set forth in this Settlement.

E. In the Application, PG&E also proposed to continue support for local emergency planning and preparedness after the cessation of plant operations in 2025. The County has requested assurances that PG&E’s commitment to supporting local emergency planning and preparedness will also continue for the duration of Diablo Canyon’s operation through 2025 as well as after the cessation of plant operations. The County, PG&E, and the other Joint Parties have reached a compromise that provides these assurances, as set forth in this Settlement.
SETTLEMENT TERMS AND CONDITIONS

In order to avoid the risks and costs of litigation, the Parties agree to the following terms and conditions as a complete and final resolution of the CIMP-related issues between the Parties in this proceeding, subject to reservations of rights set forth herein by the County, the District, the Cities, and PG&E to address economic impact issues in a future proceeding informed by the Monning report and other subsequently developed economic impact data. Not all Parties have agreed to all terms set forth in the Appendices to this Agreement. Each of the Parties has agreed to support those Appendices described in Sections 1-3, below, in which the specific Party is named. Each of the Parties agree not to oppose any terms set forth in the Appendices to this Settlement to which the Party has not specifically agreed.

1. Essential Services Mitigation Fund

1.1. The County, District, PG&E, and the Joint Parties agree to the terms governing an Essential Services Mitigation Fund, as set forth in Appendix 1 to this Settlement.

2. Evaluation and Mitigation of Regional Economic Impacts

2.1. The Cities, County, PG&E, and the Joint Parties agree to the terms governing the evaluation and mitigation of regional economic impacts, including the process for further consideration of the Monning Report and the creation of an Economic Development Fund, as set forth in Appendix 2 to this Settlement.

3. Emergency Planning and Preparedness and Future Land Use

3.1. The County, PG&E, and the Joint Parties agree to the terms governing emergency planning and preparedness and the future use and disposition of Diablo Canyon lands, as set forth in Appendix 3 to this Settlement.
4. **Support for Other Provisions of the Diablo Canyon Application**

4.1. The Parties agree it is critical to retain the highly-skilled workforce at Diablo Canyon during the remaining years of operations in order to assure safe and reliable operations. The Parties support the approval of the Employee Program as described in Chapter 7 of the Diablo Canyon Application.

4.2. The County, Cities, and the District have reviewed all other portions of PG&E’s Application, testimony, and workpapers and do not oppose or take no position on the relief requested in PG&E’s Application, as modified by this Settlement.

5. **Modification to the Joint Proposal**

5.1. This Settlement results in a modification to Section 4 of the Joint Proposal, by and among PG&E, Friends of The Earth, Natural Resources Defense Council, Environment California, International Brotherhood of Electrical Workers Local 1245, Coalition of California Utility Employees, and Alliance For Nuclear Responsibility. The Joint Parties hereby agree upon and support such modification.

**GENERAL PROVISIONS**

6. **Scope and Approval**

6.1. In accordance with Rule 12.5, the Parties intend that Commission adoption of this Settlement will be binding on the Parties, including their legal successors, assigns, partners, members, agents, parent or subsidiary companies, affiliates, officers, directors, and/or employees. Unless the Commission expressly provides otherwise, and except as otherwise expressly provided herein, such adoption does not constitute approval or precedent for any principle or issue in this or any future proceeding.
6.2. The Parties agree that this Settlement is subject to approval by the Commission. After the Parties have signed this Settlement, the Parties shall jointly file a motion for Commission approval and adoption of this Settlement, which may be submitted along with additional partial settlements in this proceeding. The Parties will furnish such additional information, documents, and/or testimony as the ALJ or the Commission may require in granting the motion adopting this Settlement.

6.3. The Parties agree to support the terms of this Settlement to which they have expressly agreed and to use their best efforts to secure Commission approval of those terms in their entirety without modification.

6.4. The Parties agree to recommend that the Commission approve and adopt this Settlement in its entirety without change.

6.5. The Parties agree that, if the Commission fails to adopt this Settlement in its entirety and without modification, the Parties shall convene a settlement conference within fifteen (15) days thereof to discuss whether they can resolve the issues raised by the Commission’s actions. If the Parties cannot mutually agree to resolve the issues raised by the Commission’s actions, the Settlement shall be rescinded and the Parties shall be released from their obligation to support the Settlement. Thereafter, the Parties may pursue any action they deem appropriate, but agree to cooperate in establishing a procedural schedule.

6.6. The Parties agree to actively and mutually defend all terms of this Settlement to which each Party has agreed if the adoption of those terms is opposed by any other party.

6.7. This Settlement constitutes a full and final settlement of all issues reviewed by the County, Cities, and District in the above-captioned proceeding. This Settlement constitutes the Parties’ entire settlement concerning the CIMP, which cannot be amended or modified without the express written and signed consent of all the Parties hereto.
7. **Miscellaneous Provisions**

7.1. The Parties agree that no signatory to the Settlement or any employee thereof assumes any personal liability as a result of the Settlement.

7.2. If any Party fails to perform its respective obligations under the Settlement, the other Party may come before the Commission to pursue a remedy including enforcement.

7.3. The provisions of this Settlement are not severable. If the Commission, or any competent court of jurisdiction, overrules or modifies as legally invalid any material provision of the Settlement, the Settlement may be considered rescinded as of the date such ruling or modification becomes final, at the discretion of the Parties.

7.4. The Parties acknowledge and stipulate that they are agreeing to this Settlement freely, voluntarily, and without any fraud, duress, or undue influence by any other party. Each party states that it has read and fully understands its rights, privileges, and duties under the Settlement, including each Party’s right to discuss the Settlement with its legal counsel and has exercised those rights, privileges, and duties to the extent deemed necessary.

7.5. In executing this Settlement, each Party declares and mutually agrees that the terms and conditions to which it has expressly agreed are reasonable, consistent with law, and in the public interest.

7.6. No Party has relied, or presently relies, upon any statement, promise, or representation by any other Party, whether oral or written, except as specifically set forth in this Settlement. Each Party expressly assumes the risk of any mistake of law or fact made by such Party or its authorized representative.

7.7. This Settlement may be executed in separate counterparts by the different Parties hereto with the same effect as if all Parties had signed one and the same document. All such
counterparts shall be deemed to be an original and shall together constitute one and the same Settlement.

7.8. Except as otherwise specifically provided in Appendix 2 specifying time of payment of the Economic Development Fund within 30 days after Commission’s approval of the Application, Joint Proposal, and this Settlement, this Settlement shall become effective and binding on the Parties as of the date it is approved by the Commission in a final and non-appealable decision.

7.9. This Settlement shall be governed by the laws of the State of California as to all matters, including but not limited to, matters of validity, construction, effect, performance, and remedies.

The Parties mutually believe that, based on the terms and conditions stated above, this Settlement is reasonable in light of the whole record, consistent with the law, and in the public interest. The Parties’ authorized representatives have duly executed this Settlement on behalf of the Parties they represent.

PACIFIC GAS AND ELECTRIC COMPANY

COUNTY OF SAN LUIS OBISPO

Name: STEVEN E. MALNIGHT
Title: SENIOR VICE PRESIDENT, REGULATORY AFFAIRS
Date: 12/15/16

Name: Dan Buckshi
Title: County Administrative Officer
Date: December 14, 2016
NATURAL RESOURCES DEFENSE COUNCIL

Name: Peter Miller
Title: Director, Western Energy Project
Date: December 16, 2016

ENVIRONMENT CALIFORNIA

Name: Dan Jacobson
Title: Legislative Director
Date: December 20, 2016

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS LOCAL 1245

Name: MARK D. JOSPEH
Title: ATTORNEY
Date: 12/16/16

COALITION OF CALIFORNIA UTILITY EMPLOYEES

Name: MARK D. JOSPEH
Title: ATTORNEY
Date: 12/16/16

ALLIANCE FOR NUCLEAR RESPONSIBILITY

Name: Rochelle Becker
Title: EXECUTIVE DIRECTOR
Date: 12/22/16
Appendix 1 - Essential Services Mitigation Fund Terms
(District/County/PG&E)

1. The Essential Services Mitigation Fund (“ESMF”) will be increased from $49.5 million to $75 million, of which $10 million will be dedicated to an educational foundation to be designated by the San Luis Coastal Unified School District (“District”). These funds, including the $10 million portion to be dedicated to a District educational foundation, will be distributed to San Luis Obispo County (“County”) in nine equal annual installments through 2025. The funds will be distributed on September 1st of each year, following a final and non-appealable CPUC decision approving the settlement and the Diablo Canyon Application, as revised. If final and non-appealable CPUC approval of this settlement is not obtained by September 1, 2017, the first distribution will occur 30 days after such approval is issued, unless otherwise agreed. The parties will meet and confer within 30 days of the filing of any application for rehearing or appeal of the CPUC decision approving this Settlement. The payments will continue as scheduled for the full 9 year period even in the event one or both Diablo Canyon Units closes early. The Parties accept the risk that Diablo Canyon may close before the scheduled dates in 2024 and 2025 and will not request any additional financial compensation in such an event.

2. The County will redistribute the funds based on a revision of the 2015/2016 unitary factors to the taxing jurisdictions whose unitary tax funding is negatively impacted by the closure of Diablo Canyon within two weeks of receiving the PG&E payment and will cause $2 million of the District’s share of each of the first five installment payments to be deposited into the account of the District’s designated educational foundation. The recalculation of the unitary tax factors will exclude local agencies whose funding is not impacted by unitary tax. The allocation that the County shall use in allocating the ESMF is set forth in Attachment A to this Appendix 1.

3. The parties agree that the compromise they have reached is a settlement and is not intended to be a substitute or in-lieu tax payment. Estimating potential tax revenue declines is simply one of many factors the parties considered in developing an appropriate and reasonable ESMF.

4. The ESMF will be included as part of the overall Community Impact Mitigation Program and collected in rates through the nuclear decommissioning charge over the remaining life of the plant, as described in Chapter 10 of the Diablo Canyon Application.

5. The County and District agree to support the Employee Program set forth in the Application and to not oppose the remaining provisions of the Application, as may be modified through settlements with other parties.

6. This term sheet is subject to (i) final approval by all parties; (ii) negotiation and execution of a final settlement agreement; (iii) agreement by the Joint Parties to the PG&E Joint Proposal for Diablo Canyon (to the extent the terms and conditions result in modifications to the Joint Proposal); and (iv) approval by the CPUC.
Attachment A to Appendix 1: Distribution of the Essential Services Mitigation Fund

The Essential Services Mitigation Fund (ESMF) of $75,000,000 is created to assist local jurisdictions whose annual budgets will be impacted by the decline in unitary tax over the next nine years. Local jurisdictions (71) currently receiving unitary tax include the County of San Luis Obispo, Incorporated Cities, Special Districts and Basic-Aid School Districts. The San Luis Obispo County Auditor-Controller-Treasurer-Tax Collector has developed Schedule 1 by starting with 2015/2016 unitary factors and redistributing the percentages allocated to agencies whose budgets are not impacted by the decline in unitary tax. Those agencies’ (non-basic aid schools and redevelopment agencies) percentages were redistributed based on the actual 2015/2016 unitary factors so that the allocations of the ESMF include only those agencies whose annual budgets are adversely impacted by the closure of Diablo Canyon. The County Auditor-Controller-Treasurer-Tax Collector will distribute the amounts identified in Schedule 1 to the 71 agencies within two weeks of receiving the annual payment by PG&E. The ESMF is not Unitary Tax and will not change any prescribed Unitary Tax distributions.

The ESMF will be distributed annually in 9 equal and consecutive payments of $8,333,333.33 from PG&E to the County of San Luis Obispo on the 1st of September beginning in 2017. If final and non-appealable CPUC approval of this settlement is not obtained by September 1, 2017, the first distribution will occur 30 days after such approval, unless otherwise agreed. The payments will continue as scheduled for the full 9-year period even in the event one or both Diablo Canyon Units closes early.

The total distribution to San Luis Coastal Unified School District includes $10 million that will be dedicated to an educational foundation to be designated by the District. The County will cause $2 million of the District’s share from each of the first 5 installment payments to be deposited to the account of the District’s Educational Foundation. The other receiving agencies will not be impacted by this distribution.

<table>
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<tr>
<th>Schedule 1</th>
<th>Essential Services Mitigation Fund of 75 Million 9 Annual Payments of $8,333,333.33</th>
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<td>County of San Luis Obispo – General Fund</td>
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<td>Garden Farms Water</td>
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<td>San Luis Coastal Unified School District –  Note: For the first 5 distributions $2,000,000 will be deposited in the District’s Educational Foundation</td>
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<td>Annual Total</td>
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Appendix 2 - Economic Development Fund Terms
(Coalition Cities/County/PG&E)

1. The Parties agree that the economic impacts of Diablo Canyon closure should be considered as a part of a separate CPUC proceeding following issuance of the economic analysis specified in California Public Utilities Code Section 712.5 (“Monning Report”). The Parties support Commission approval of this settlement and proceeding with consideration of the remaining scope of the Diablo Canyon Application immediately, without delay for consideration of the economic impacts of Diablo Canyon closure.

2. The Parties agree that the Diablo Canyon Application should be revised to include a $10 million payment by PG&E to the County and to the Cities of Arroyo Grande, Atascadero, Morro Bay, Paso Robles, Pismo Beach and San Luis Obispo (collectively, the “Coalition of Cities”) to establish a fund for implementation of regional economic development and job creation programs (collectively, the “Economic Development Fund”). The County and the Coalition of Cities agree to further distribute those payments pursuant to the allocation methodology set forth in Attachment A. The purpose of the Economic Development Fund is to provide immediate funding for actions to create new economic development opportunities and mitigate impacts associated with the pending closure of Diablo Canyon.

3. Within 18 months of the payment by PG&E of the Economic Development Fund, the County and each of the Coalition of Cities will prepare a report that (i) enumerates and describes the expenditures from the Economic Development Fund and (ii) assesses the results and effectiveness of the economic development measures or programs resulting from such expenditures (the “Initial Report”). The County and each of the Coalition of Cities will prepare subsequent annual updates to the Initial Report until all Economic Development Fund revenues have been expended, at which time the reporting may cease. The Initial Reports and any subsequent updates will be provided to PG&E, and PG&E will submit the reports to the CPUC and make them available to the public. Reports shall report on expenditures on a fiscal year basis. In the event payment of the Economic Development Fund is delayed by any rehearing application or appeal of the CPUC’s decision approving the Diablo Canyon Application, the County and each of the Coalition Cities shall be entitled for purposes of the specified reporting to credit against the Economic Development Fund amounts expended by the Cities for purposes of economic development and impact mitigation between the date the CPUC first issues its decision and the date of payment of the Economic Development Fund pursuant to this agreement.

4. The County and Coalition of Cities commit to spending the Economic Development Fund solely for the purposes of economic development and impact mitigation purposes.

5. PG&E shall pay $400,000 of the total Economic Development Fund to the County within 30 days of issuance of a decision by the CPUC approving the Diablo Canyon Application and thereafter shall not request any reimbursement of payment from the County or the Coalition of Cities. PG&E shall pay the remaining balance of the Economic Development Fund within 30 days of the final and non-appealable approval of the Diablo Canyon Application, as revised consistent with this Settlement, unless otherwise agreed. The parties will meet and confer within 30 days of the filing of any application for rehearing or appeal of the CPUC decision approving this Settlement.
6. Following issuance of the Monning Report (per SB 968), the Commission will institute a new proceeding to evaluate the results of the Monning Report, take comment, and consider further action. The Parties reserve all rights in such proceeding to advocate for or to oppose further funding of economic impact mitigation by PG&E and/or its customers. PG&E specifically reserves the right to assert that no additional funding, beyond the mitigation payments provided by the Diablo Canyon Application, as modified by this settlement, is required, and the County and the Coalition of Cities or any of the cities specifically reserve the right to seek additional funding beyond the Economic Development Fund. In no event shall the Coalition of Cities or the County be required to refund any amount paid under this Settlement.

7. PG&E, the County, and the Coalition of Cities agree to work together to advocate jointly for additional funding or other assistance from the State of California and Federal government agencies, and their respective legislative bodies, to support the economic transition of the local community to an era without Diablo Canyon in operation. This provision is not intended to bind any Party to any financial commitment or specific position with respect to such advocacy.

8. The Economic Development Fund will be included as part of the overall Community Impact Mitigation Program, as described in Chapter 10 of the Diablo Canyon Application.

9. The County and the Coalition of Cities agree to support the Employee Program set forth in the Application and to not oppose the remaining provisions of the Application, as may be modified through settlements with other parties.

10. This term sheet is subject to (i) final approval by all parties; (ii) negotiation and execution of a final settlement agreement; (iii) agreement by the Joint Parties to the PG&E Joint Proposal for Diablo Canyon (to the extent the terms and conditions result in modifications to the Joint Proposal); and (iv) approval by the CPUC.
## Attachment A to Appendix 2

**Distribution of Economic Development Fund County of San Luis Obispo/Coalition of Cities**

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<tr>
<th></th>
<th>Total Amount</th>
<th>County (40%)</th>
<th>Coalition Share (60%)</th>
<th>Regional Economic Development</th>
<th>Arroyo Grande</th>
<th>Atascadero</th>
<th>Morro Bay</th>
<th>Paso Robles</th>
<th>Pismo Beach</th>
<th>San Luis Obispo</th>
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<td></td>
<td>$10,000,000</td>
<td>$3,840,000*</td>
<td>$5,760,000</td>
<td>$400,000**</td>
<td>$747,422</td>
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<td>$497,472</td>
<td>$1,145,631</td>
<td>$767,028</td>
<td>$1,819,341</td>
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*The County will allocate $192,000 of this amount to the City of Grover Beach.

**To be distributed to the County for Regional Economic Development.*
Appendix 3 – Emergency Planning and Future Land Use Terms
(County/PG&E)

Emergency Planning and Preparedness

1. The specific costs and detailed plans for emergency planning and preparedness (emergency management) through the decommissioning period will be definitively proposed in the site-specific decommissioning estimate to be submitted to the CPUC as specified in Chapter 8 of PG&E's prepared testimony supporting Application 16-08-006. The purpose of this agreement is to outline the intent of what will be submitted as part of the site-specific decommissioning estimate and is subject to CPUC approval and funding in nuclear decommissioning rates.

2. The parties recognize that PG&E will continue to fund, at current funding levels, the maintenance of all emergency response-related equipment, including the public warning sirens, as well as the approximately $4 million in funding for offsite state and local emergency planning functions, as required to be adjusted pursuant to state law, through cessation of plant operations in 2025. Infrastructure that is directly maintained by PG&E as of June 21, 2016, will continue to be fully maintained by PG&E.

3. In addition to continued funding per current state law, beyond the expiration of said law, the general intent is that the maintenance of the public warning sirens and funding for offsite community and local emergency planning functions (approximately $2 million forecast in 2017) will continue until all spent fuel is in dry cask storage and the two nuclear reactors are fully decommissioned (following the surrender of the Part 50 licenses). Using the formula established in Section 8610.5 of the California Emergency Services Act, funding for offsite community and local emergency planning functions will be paid directly to the County of San Luis Obispo.

4. The funding for other emergency preparedness equipment, training, emergency planning functions, and PG&E’s emergency response personnel will be informed by the reduced risks that remain and will be more definitively proposed in the site-specific decommissioning estimate.

5. The process for development of the site-specific decommissioning estimate will include formation of a decommissioning advisory panel, which will include representation from the County of San Luis Obispo, industry experts, state and local government representatives, and affected stakeholders.

6. Parties reserve their ability to make arguments in future decommissioning proceedings regarding necessary and appropriate emergency response and preparedness actions and costs associated with Diablo Canyon following the surrender of the Part 50 licenses.

Future Land Use

1. Issues surrounding the disposition of lands related to Diablo Canyon, including future land uses, will be addressed in the Diablo Canyon site-specific decommissioning plan to be submitted in PG&E’s next Triennial Nuclear Decommissioning Proceeding, and the Parties agree they are not within scope of this proceeding.

2. As stated in the October 4, 2016, letter that PG&E sent to the County, which is Attachment A to this Appendix 3, PG&E agrees to complete a site-specific decommissioning plan for the facility
before making any decisions on the disposition of the Diablo Canyon lands. As part of this process, PG&E will convene a community advisory group that will give stakeholders an opportunity to help shape the future use of PG&E’s land plans prior to finalizing the site-specific plan. In the meantime, PG&E and its affiliate companies that hold a property interest in the Diablo Canyon lands will not make any commitments on land disposition or post-retirement land use, including the Wild Cherry Canyon parcels, until the stakeholder process is completed and PG&E’s recommendations have been considered by the Commission as part of the Diablo Canyon site-specific decommissioning plan.
October 4, 2016

Dan Buckshi
County Administrator Officer
County of San Luis Obispo
1055 Monterey Street
San Luis Obispo, CA 93408

Dear Mr. Buckshi:

Pacific Gas and Electric Company (PG&E) has carefully reviewed the County of San Luis Obispo’s (County) September 15 response to PG&E’s Diablo Canyon Power Plant (DCPP) Application 16-08-006. One of the concerns raised by the County (and other locally-based parties) pertains to the future use of the 12,000 acres of lands surrounding DCPP after the facility is retired. In our September 26 reply to protests and responses, PG&E clarified that we do not yet have a plan for the future use of DCPP lands, that we will commence a public stakeholder process as we evaluate the options, and that we will submit a land use plan to the California Public Utilities Commission (CPUC) in the site-specific decommissioning plan for the facility, which PG&E will file as part of its next Nuclear Decommissioning Triennial Proceeding application in 2019.

I am writing to assure you that PG&E intends to complete the site-specific decommissioning plan for the facility over the coming years with community input before making any decisions on the disposition of the DCPP lands. As part of this process, PG&E will convene a community advisory group that will give stakeholders an opportunity to help shape the future use of PG&E’s land plans prior to finalizing the site-specific plan. In the meantime, PG&E will not make any commitments on land disposition or post-retirement land use, including the Wild Cherry Canyon parcels, until the stakeholder process is completed and PG&E’s recommendations have been considered by the CPUC as part of the DCPP site-specific decommissioning plan.

PG&E values and appreciates the active partnership of the County and other local stakeholders, and we look forward to continuing to work with you and the rest of the community in both the pending CPUC proceeding and the important decommissioning work to follow. Please feel free to contact me if I can provide any further assurance regarding these land disposition issues.

Sincerely,

Thomas P. Jones

cc: City of Arroyo Grande
    City of Atascadero
    City Grover Beach
    City of Morro Bay
    City of El Paso de Robles
    City of Pismo Beach
    City of San Luis Obispo
    Friends of Wild Cherry Canyon
    Service List for CPUC Docket No. A.16-08-006 (via email only)