

Ten Things You Should Know About the 'Monning' Report'*

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*SB 968, sponsored by Senator Monning, directed the CPUC to contract with an independent 3rd party to conduct an economic impact assessment. CPUC engaged David Wells Roland-Holst and colleagues at the Department of Agricultural and Resource Economics, UC Berkeley. They produced **'Prospective Closure of the Diablo Canyon Nuclear Power Plant: Economic Impact Assessment** in June, 2019.

Legislative/Regulatory Background

- Sept 2016: Gov. Brown signs SB 968 which adds section 712.5 to the Public Utilities Code requiring CPUC to facilitate study of economic impacts on SLO County and surrounding areas of possible closure of DCPD.
- Jan 2018 CPUC issues D 18-01-022 approving PG&E proposal to retire Units 1&2 in 2024 and 2025 and authorizes \$211.3M for employee retention programs.
- Sept 2018 Gov. Brown signs SB 1090 approving \$85M for community impact mitigation in the SLO region. And additional \$140.8M for DCPD employee retention. CPUC enacted rate changes to support SB 1090 with D 18-11-024 in Dec 2018.

1. Goals + Scope of the Monning Report

- Goal:

Identify potential ways for state and local jurisdictions to *mitigate* any adverse economic impacts and *plan* accordingly.

- Scope:

- General *economic impact* assessment
- Local *stakeholder* consultation and survey
- Assessment of *real estate and bond* markets

2. An Economist's view of Economic Impact

- Local Economic impact of DCPP (2011)

INPUTS

Local goods & services \$22M

Local Payroll \$202.5M

Local Pension payroll \$19M

OUTPUTS

Wholesale value of 18,566

megawatt hours of electric power

\$675.6M

$22+202.5+19+675.6 = \$919.1\text{M}$ total economic impact

IMPLAN (Economic **IM**Impact Analysis for **PLAN**ing): software tool that estimates impacts through industry specific changes in economic activity. It is driven by models, and data specific to kinds of communities and industries. For the 2011 data above, IMPLAN estimated *indirect and induced impacts* of \$244.3M on areas such as retail real estate, wholesale trade, financial institutions, and health care.

3. Three Economic Impacts from DCPP Closure

- Impact 1: SB 1090 and D 18-01-022 Positive Shock (occurring right now, pre-closure!)
 - \$363.4M employee retention and retraining (scheduled over 7 yrs)
 - \$85M for community impact mitigation
 - \$75M Essential Services Mitigation Fund (over 7 yrs)
 - \$10M Economic Development Fund (one time payment)
- Impact 2: DCPP Closure in 2024, 2025 Negative Shock (post-closure)
 - \$226M payroll
 - 1396 jobs
 - \$374M goods and services
 - \$26.5M unitary property taxes
- Impact 3: DCPP Decommissioning Expenditures Positive Shock (post-closure)
 - \$4.8B (allocated over 10 yrs)

4. How IMPLAN assesses the 3 shocks on SLO

Scope: Plant closure (not producing electric power, job loss, goods and services); Decommissioning (different jobs, ten year planning horizon); SB 1090 provisions for employee retention, Essential Services Mitigation Fund, Economic Development Fund.

Effect of Impact 1 (Positive Shock, pre-closure): SB 1090 and D 18-01-022)

-Increase economic output of \$40.1M and 349FTE jobs annually for 2019-25, plus \$13M when Economic Development Fund is capitalized)

Effect of Impact 2 (Negative shock, post-closure): DCPD Closure

-Decrease in economic output of \$801M, \$600M of which is the wholesale value of electric power that is not generated.

-Decrease of 2,908FTE jobs, most from direct employment by DCPD

Effect of Impact 3 (Positive shock, post-closure) Decommissioning Activities

-Increase economic output of \$724M per year (ten years 2025-2035)

-Increase ~ 4,934FTE jobs per year for ten years

NET IMPACT ESTIMATE: loss of \$77M per year, which is 0.58% of annual gross regional product, which is below historical growth rates.

5. Local Stakeholder Consultation and Survey

The Berkeley team visits 9 stakeholders in Sept and Oct 2018 and conducted an anonymous online survey of a pool of county residents generated by Dun and Bradstreet. Note that SB 1090 was signed near the dates of these consultations.

- County and City Managers are concerned about the loss of tax revenue after the mitigation from SB 1090 ends. Will new and existing businesses generate similar tax revenues?
- DCPD closure eliminates high paying jobs, and related discretionary spending. DCPD employees have a reputation as community volunteers. Scheduled refueling outages also brought in temporary workers, typically during the seasons when tourism is slower.
- SLO County employers are largely government agencies and DCPD. Will our region adapt? Are we ready to aggressively pursue a diversified economy? Will our housing affordability crisis hamper these efforts?
- Housing costs make it difficult to attract and retain employees, and fewer young families reduce the school attending population. Child care costs rival housing costs for young families.
- There is a general optimism that we are an attractive region with a fairly strong economy. This optimism is tempered by expressions regarding growth 'challenges' and 'attitudes.'
- Economic 'anchors' such as DCPD and Cal Poly may have made us complacent about the need to diversify the economy; we need to confront this issue in a way that brings us together.

6. Impact on Real Estate & Bond Markets

- The Berkeley team used a newly-available database from Zillow to build a profile of the housing market in SLO during recent decades. They noted that the SLO real estate market fully recovered from the financial crisis of 2008. They also conducted comparisons with the impact of the San Onofre Power Plant closure. They found no statistically significant impact expected from the DCCP closure.
- The Bond Market determines the cost of borrowing money by local public entities to financial public projects. The bond market notes negative signals from within local economies that could suggest higher risk, and thus raises bond rates. The Berkeley team uses high frequency financial sector data to statistically assess the DCCP closure announcement effects on local bond prices. They were unable to identify a statistically significant announcement effect, and do not anticipate lasting adverse impacts.

7. Recommendations Overview

- The Berkeley team used multiple analytic tools and collected stakeholder perceptions regarding the economic impact of the scheduled DCPD closure and decommissioning.
- **“DCPD closure would appear to present as many opportunities as it does challenges.** The overall economic impacts of closure will be relatively modest, but significant adjustments can be expected. **Adaptability of the local economy will depend on community resilience, cohesion, and foresight.”**
- **“With proactive and coordinated strategies, we believe that SLO can secure the basis for more inclusive and sustainable prosperity.”**

8. Civil Society and Local Governments

- Economic progress in a community is the summation of individual effort and aspiration. When communities are presented with challenges like the closure of a major employer, individualism can be less effective than cooperation. **“SLO’s diversity is an asset with great potential to advance diversified economic growth, but only if social barriers and economic segmentation can be overcome.”**
- This will require a commitment to community dialog.
- We must enlist a broad alliance of traditional community, faith based and educational institutions, non-governmental organizations, and issue-oriented advocacy groups.
- We must develop and nurture an inclusive framework to advance community strategic planning.
- Local government must aggressively welcome new businesses that support a high-skilled labor force.
- Local government must reconsider the impact fees that deter affordable housing.
- Local governments must redouble efforts to coordinate across jurisdictions.
- The processes for establishing public-private partnerships must be streamlined.

9. California Public Utilities Commission and Pacific Gas and Electric

- CPUC should cooperate with local governments to monitor operations and publicize progress.
- CPUC should choose alternatives that limit the time-frame for decommissioning. The Monning Report favors the 10 year DECON option vs. the 60 year SAFSTOR option.
- PG&E should communicate the results of this study to reduce fear of economic vulnerability in the region.
- During decommissioning, PG&E should develop priorities for local contracting for goods and services during decommissioning. Subject to acceptable minimum standards, preference should be given to competitive local suppliers or joint venture partners who agree to work with local firms.

10. Where can I read all 115 pages!

- You can find the full report on the website of the CPUC.
- The URL is

<https://www.cpuc.ca.gov/General.aspx?id-11368>