



COLAB SAN LUIS OBISPO COUNTY

WEEK OF JUNE 26 - JULY 2, 2016

DANGEROUS WEEK FOR COUNTY AHEAD

ALERT

**STATE LANDS COMMISSION: MUST RATIFY
PG&E/ENVIRO/LABOR DEAL "THE JOINT
PROPOSAL" OR DIABLO SHUTS DOWN IN 2018
(MEETING TUESDAY JUNE 28, 2016, 10:00 AM)**

*MORRO BAY COMMUNITY CENTER AUDITORIUM
1001 KENNEDY WAY
MORRO BAY, CALIFORNIA 93442*

**NO BOARD OF SUPERVISORS MEETINGS ON
JUNE 28 OR JULY 5, 2016
(SUMMER RECESS)**

**SLO COUNTY RETIREMENT SYSTEM
UNFUNDED LIABILITY GROWS
PENSION BOARD TO RAISE RATES TO COUNTY
AND ITS EMPLOYEES BY 5%
INVESTMENT RETURNS FALTER**

LAST WEEK - JUST PLAIN BAD

**OAK TREE MASSACRE SPAWNS MORE
REGULATION: SPECIAL BOS MEETING ON
FRIDAY, JULY 15 TO SET URGENCY
ORDINANCE BANNING TREE REMOVAL
(MORE GOVERNMENT BY MORATORIUM)**

**APCD FEE INCREASES APPROVED
(ARNOLD ONLY DISSENTING VOTE)**

**APCD BOARD ADOPTS BEHAVIOR NORMS
FOR THEMSELVES
(BUT THEY ARE VOLUNTARY AND THERE ARE NO SANCTIONS)**

**SLO COLAB IN DEPTH
(SEE PAGE 12)**

**GREAT NEWS FOR FRACKING! CALIFORNIA'S
LAST NUKE TO CLOSE**

By Steven Hayward

DIABLO NUCLEAR POWER PLANT CLOSURE

In General: As we had speculated in the past, any decision to close the PG&E Diablo Nuclear Power Plant would in all likelihood come from the PG&E Board of Directors, and that decision

would come in the spring of 2016. Symbolically, it was announced on June 21, the first day of summer, the day of the year with the longest period of daylight, benefiting solar generation.

PG&E press releases cite the growing availability of industrial grade solar power, the proliferation of decentralized local solar power, the proliferation of “community choice” aggregation municipal electric systems, and the multi-billion dollar costs (some reports as high as \$12 billion) for replacing the reactor water cooling towers as reasons for the business decision. The utility also notes its own renewable energy goal of 55% by 2031 (a number which exceeds the State SB 350 mandate of 50%) as a reason to close the Plant. The full press release is included as Addendum I on page 17 of this COLAB Weekly Update.

Failure of Leadership: What the press releases don’t cite is the failure of the San Luis Obispo County Board of Supervisors and the Santa Barbara County Board of Supervisors to forcefully and boldly support the relicensing of the plant as a matter of public policy. Instead, leftist majorities on both Boards betrayed the interests of the working people and families in their respective counties and pandered to a variety of anti-industrial, anti- nuclear, and anti-private property activist organizations. Every excuse to throw up hurdles was used to delay and to add costs. Fear of earthquakes, tsunamis (the plant is on a 70-foot high cliff above the ocean), and terrorist attacks were all bandied about. Furthermore, when the PG&E undertook seabed seismic studies, these same Boards complained about the risk to marine mammals and fish. While the rest of the world is expanding nuclear power, local and statewide Luddite ideologues have created a politicized environment in which relicensing is too risky and too expensive.

Roll The Dice: It’s just like a trip to your County Planning Commission but on much larger and more costly scale. Spend years and millions on your application promise to pay huge mitigation fees, and we might approve your application but – we might not. In SLO County ask Laetitia Vineyards, ask the Las Pilitas Quarry, ask Phillips 66, and many others. In Santa Barbara County ask 3 successive developers who attempted to rehabilitate the historic oceanfront Miramar Hotel, ask the man who attempted to improve the La Purisima Golf Course, and ask the Breitburn Development Company, which attempted to permit a beautiful, smart growth, walkable, and energy-efficient community on previously disturbed land.

When candidates Salud Carbajal (Congress) and Adam Hill (SLO 3rd Supervisorial District) ask you for your vote, ask them about your job, your home, and your children’s future. While they were handwringing over tsunamis, you were getting screwed. Check out the KSBY news report below. This is a faint preview of the trouble ahead.

Planned Diablo Canyon closure causing real estate jitters

In the wake of PG&E's decision to close down Diablo Canyon Power Plant, local realtors fielded questions about what will happen to the housing market.

Some area homeowners were concerned the loss of high-paying jobs may mean the housing market could take a hit.

One real estate company told KSBY a Central Coast couple was in the midst of buying a home in Nipomo when they had second thoughts. This came after they read headlines like, "Diablo Canyon to shut down in 2025."

"We just recently put a transaction together on Saturday and then on Tuesday morning they said they wanted to cancel, because they are a young couple and work at PG&E," said Dick Keenan, Broker Associate, Keller Williams Realty.

The thought of no job security made the couple want to back out of the sale.

"In the afternoon, after their meetings and what they were told, they decided they wanted to keep moving forward because we still have 10 years of working at Diablo Canyon," explained Keenan.

Many employees were offered monetary incentives to stay until the closure of the plant.

"I think the important advice that we are giving our clients is, 10 years from now, the real estate market is going to be a lot different than what it is today," explained Erny Pinckert, who is the owner of Central Coast Realty Group.

"The nice part is that we have a 10-year window. If they were to close the plant today, there would be some serious economic impact on the area," said Keenan.

COLAB NOTE: Of course even the 10-year plant phase-out is dependent on Tuesday's State Lands Commission vote. Every realtor in both counties had better show up at the hearing. They missed one heck of a nuance here.

Some people were also thinking this might be a good time to put their home on the market, in case home values fall as the closure nears. Real estate experts said Wednesday that it was way too early to be thinking that way.

Another realtor said vacation rentals may also take a hit. Many contract employees at Diablo work for three months at a time and seek out vacation rentals.

More than 1,500 people work at Diablo Canyon Power Plant.

The text above is from a KSBY TV News Report that was posted on June 22, 2016

Rather than conduct a sudden, immediate, and economically catastrophic shutdown, PG&E proposes a 9-year phase out of the plant. There are many near, medium and long-term impacts and considerations. The most immediate is that for the 9-year phase-out to occur the California State Lands Commission must renew a permit, which expires in 2018, for discharge of circulated reactor cooling water (does not contain radiation) to the ocean. Given the urgency of this matter it is discussed immediately below. If this permit is renewed, the proposal will also require certain approvals by the California State Public Utilities Commission (PUC).

California State Lands Commission Meeting of Tuesday, June 18, 2016 10:00 AM, Morro Bay Community Center (Scheduled)

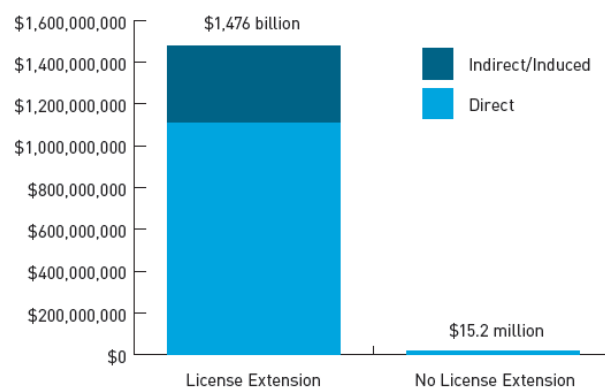
ITEM PACIFIC GAS AND ELECTRIC COMPANY (APPLICANT): Consider termination of Lease Nos. PRC 4307.1 and 4449.1, a General Lease – Right-of-Way Use and a General Lease – Industrial Use, and an application for a new General Lease – Industrial Use, for a cooling water discharge channel, water intake structure, breakwaters, and associated infrastructure at the Diablo Canyon Power Plant, near Avila Beach, San Luis Obispo County. CEQA Consideration: not a project

According to its website, *The Commission protects the lands and resources entrusted to its care through balanced management, marine protection and pollution prevention, adaptation to climate change, and ensuring public access to these lands and waters for current and future generations. The Commission is organized into divisions that include the Land Management, External Affairs, Environmental Management and Planning, Mineral Resources Management, and Marine Environmental Protection.* The 3 Commissioners are State Controller Betty Yee, Chairman; Lieutenant Governor Gavin Newsom; and State Finance Director Michael Cohen. The Commission has jurisdiction over “sovereign” lands of the State of California. Lands under the ocean within the 3-mile limit are State sovereign lands. Other sovereign lands include Lake Tahoe, various rivers, and so forth.

For a few minutes or hours (depending on the length of the hearing) on Tuesday, June 28, the future of San Luis Obispo County, including \$22 million in annual property taxes which support the County, Cuesta College, and public schools, will be in immediate jeopardy. Additionally thousands of jobs and \$1 billion dollars in direct, indirect, and imputed annual financial impact will be in the hands of this Commission. This is because the Commission will be deciding whether to extend PG&E’s permit to discharge water used to cool the Diablo reactors into the ocean. The nine-year phase-out program (the Joint Proposal), which has been widely publicized, is moot if the Commission does not approve the renewal of the permit. The deal could also become moot if the State Public Utilities Commission (PUC) does not grant certain rate increases which will be necessary to cover the costs of the 9-year phase-out of the plant as well as decommissioning costs. The plant will be shut down in 2018 if these approvals are not granted.

The economic impact of such a shutdown will be catastrophic. The chart to the right was prepared several years ago to show the impact in 2027 if the Plant were not

FIGURE 3: ESTIMATED TOTAL ECONOMIC IMPACT ON LOCAL AREA (YEAR 2027), 2011



relicensed. Similar or worse numbers would occur if a sudden shutdown occurred in 2018. The impact would occur in both San Luis Obispo County and northern Santa Barbara County.

We encourage readers to open the link below and read the full economic impact report

http://www.pge.com/includes/docs/pdfs/shared/edusafety/systemworks/dcpp/PGE_Economic_Impact_Report_Final.pdf

It is likely that there will be a full court press by the environmentalist left to make the Lands Commission deny the permit.

We will discuss other aspects of this tragedy in future editions of the COLAB Weekly Update.



Not just the Mothers for Peace

San Luis Obispo Pension Trust Meeting of Monday, June 27, 2016 (Scheduled)

Item 8 - January 1, 2016 Actuarial Evaluation ----- Final Report Incorporating Board of Trustee's Direction and approval of Pension Rate changes. The Pension Trust Board of Directors will consider a recommendation from its consulting actuaries to raise charges to both the County and its employees. The agenda item states in part:

The valuation results also indicate that the funded ratio of the Plan – Accrued Liabilities (AL) vs. Actuarial Value of Assets (AVA) has declined from 76.70% in 2015 to 71.4 % in 2016. The funded ratio decline reflects the \$144 million increase in the AL from \$1.61 billion to \$1.75 billion or nearly a 9% increase. At the same time, the AVA increased only about 1% from \$1.23 billion to \$1.25 billion or \$17 million. As a result, the Unfunded Accrued Liability (UAL) increased from \$374 million to \$501 million.

	Jan 1, 2016	Jan 1, 2015	Change
Accrued Liability	\$1.75B	\$1.61B	\$144M
Unfunded Accrued Liability	\$501M	\$374M	\$127M
Actuarial Value of Assets	\$1.25B	\$1.23B	\$17M
Funded Ratio	71.4%	76.7%	(5.3)%

There you have it – a whopping \$127 million increase in the unfunded pension liability. As the unfunded liability goes up, the amount the County and its employees must contribute goes up. This amount is expressed as a percentage of payroll. Last year for every dollar of payroll, the County and employees had to contribute 34.05 cents. This year it will go up to 38.9 cents, an increase of 4.85 cents. It actually gets a little worse because the rates are applied retroactively to January 1, 2016. Since the County officials didn't know what the rate would be at that time, they could not have started making the increased payments. Thus they are necessarily in arrears and will have to pay a higher rate as a makeup. This will be something over 5% depending on when they start making the higher payments.

It is estimated that the direct County salary payroll is \$177 million. A 5% increase will add a new \$8,850,000 to the Budget. (Note: some of this will be paid by the employees.) It is not clear if any part of this was included in the new budget that the Board just adopted. In 2015, the total County and employee contribution was almost \$60 million.

Additionally, the County is paying off the ill-advised pension obligation bond debt which it issued in 2003. The new Budget indicates that this amount will be \$10.1 million in FY 2016-17.

Factors contributing to the increase are less than projected investment returns, employees living longer than expected, and pay increases. Recent returns are illustrated below.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
SLOCPT Total Returns	3.4%	12.8%	13.8%	5.1%	-1.1%

Source: Verus reports

	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 years</u>
SLOCPT Total Returns	-1.1%	5.8%	6.7%	5.0%

Source: Verus 4th Quarter 2015 report and Pension Trust records for pre-2006 returns

The Pension Trust has not achieved its 7.25% annual investment return target. For this reason the actuaries are recommending that it be lowered to 7.125%.

The table below on the next page highlights the history of the growth of the unfunded liability.

FUNDING PROGRESS INDICATORS HISTORIC COMPARISON

(\$ in Thousands)

Valuation Date	Valuation Assets ¹	Actuarial Liability ¹	Funded Ratio	Unfunded Actuarial Liability	Member Payroll	Ratio to Payroll
12/31/2001	\$404,751	\$492,795	92.1%	\$88,044	\$120,637	73.0%
12/31/2002	430,351	556,321	77.4%	125,970	131,997	95.4%
12/31/2003	604,808	619,257	97.7%	14,449	136,364	10.6%
12/31/2003 ⁵	604,808	637,075	94.9%	32,267	136,364	23.7%
12/31/2003 ^{2,5}	604,808	642,734	94.1%	37,926	136,364	27.8%
12/31/2004 ²	651,751	713,683	91.3%	61,932	135,189	45.8%
12/31/2004 ⁶	651,751	715,085	91.1%	63,334	135,189	46.8%
12/31/2005	700,060	803,124	87.2%	103,064	143,902	71.6%
12/31/2005 ⁷	700,060	818,864	85.5%	118,804	143,902	82.6%
12/31/2005 ^{2,7}	700,060	831,290	84.2%	131,230	143,902	91.2%
12/31/2006	759,758	912,458	83.3%	152,700	152,117	100.4%
12/31/2006 ²	759,758	920,285	82.6%	160,527	152,117	105.5%
12/31/2006 ^{2,8}	759,758	994,861	76.4%	235,103	152,117	154.6%
12/31/2006 ⁹	759,758	962,828	78.9%	374,118	152,117	245.9%
12/31/2007	829,764	1,055,868	78.6%	226,104	162,436	139.2%
12/31/2007 ¹⁰	829,764	1,057,124	78.5%	227,360	162,436	140.0%
12/31/2008	875,602	1,150,214	76.1%	274,612	168,677	162.8%
12/31/2009	937,279	1,216,153	77.1%	278,874	160,444	173.8%
12/31/2010	1,000,169	1,282,058	78.0%	281,889	161,783	174.2%
12/31/2011	1,057,922	1,334,545	79.3%	276,623	161,055	171.8%
12/31/2011 ^{2,11}	1,057,922	1,378,549	76.7%	320,627	161,055	199.1%
12/31/2012 ¹¹	1,122,151	1,468,001	76.4%	345,850	164,299	210.5%
12/31/2013 ¹²	1,182,924	1,518,751	77.9%	335,827	164,704	203.9%
12/31/2014	1,231,474	1,605,591	76.7%	374,117	167,695	223.1%
12/31/2015	1,248,328	1,686,497	74.0%	438,169	177,004	247.5%
12/31/2015 ¹³	1,248,328	1,749,342	71.4%	501,014	177,004	283.1%

Looking into the future the table below on the next page shows that if the new 7.125% return is achieved on average, the unfunded liability will peak in 2022 at \$647 million. (See column 8 of the chart below on page 9.)

San Luis Obispo County Pension Trust

Projection Based on January 1, 2016 Actuarial Valuation with Tier 3 (AB 340)

7.125% Investment Rate of Return Assumption

3.375% Payroll Growth Assumption

(in millions)

Valuation as of January 1,	Input Market Return for Past Fiscal Year	Market Return for Past Fiscal Year	Total Contribution Rate	Compensation at Valuation	Total Contribution	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded AAL	Funded Ratio	Total Normal Cost Rate	Market Value of Assets (MVA)	Funded Ratio Using MVA	Percent Tier 3 Members
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
2016	7.125%	-1.44%	38.90%	\$ 177	\$ 68.9	\$ 1,749	\$ 1,248	\$ 501	71.4%	21.35%	\$ 1,136	64.9%	22.7%
2017	7.125%	7.125%	39.94%	182	72.8	1,829	1,281	548	70.0%	20.79%	1,203	65.8%	29.3%
2018	7.125%	7.125%	40.63%	188	76.2	1,908	1,326	582	69.5%	20.29%	1,273	66.7%	31.2%
2019	7.125%	7.125%	41.42%	193	79.9	1,987	1,371	616	69.0%	19.84%	1,346	67.7%	40.6%
2020	7.125%	7.125%	42.06%	198	83.5	2,065	1,423	642	68.9%	19.43%	1,421	68.8%	46.0%
2021	7.125%	7.125%	41.99%	204	85.8	2,143	1,497	646	69.8%	19.07%	1,498	69.9%	50.7%
2022	7.125%	7.125%	41.87%	210	88.1	2,219	1,572	647	70.9%	18.73%	1,576	71.0%	55.1%
2023	7.125%	7.125%	41.77%	217	90.4	2,294	1,650	644	71.9%	18.43%	1,654	72.1%	59.3%
2024	7.125%	7.125%	41.66%	223	92.9	2,368	1,729	639	73.0%	18.16%	1,734	73.2%	63.0%
2025	7.125%	7.125%	41.55%	230	95.5	2,440	1,809	631	74.1%	17.92%	1,815	74.4%	66.5%
2026	7.125%	7.125%	41.47%	237	98.2	2,512	1,891	620	75.3%	17.71%	1,897	75.5%	69.6%
2027	7.125%	7.125%	41.40%	244	101.1	2,581	1,975	607	76.5%	17.52%	1,980	76.7%	72.6%
2028	7.125%	7.125%	41.35%	252	104.1	2,650	2,059	590	77.7%	17.34%	2,065	77.9%	75.3%
2029	7.125%	7.125%	41.32%	260	107.3	2,717	2,146	570	79.0%	17.19%	2,152	79.2%	77.7%
2030	7.125%	7.125%	41.31%	268	110.6	2,782	2,235	547	80.4%	17.05%	2,241	80.6%	80.0%
2031	7.125%	7.125%	41.32%	276	114.2	2,846	2,327	519	81.8%	16.93%	2,333	82.0%	82.0%
2032	7.125%	7.125%	41.33%	285	117.9	2,909	2,423	487	83.3%	16.81%	2,429	83.5%	83.9%
2033	7.125%	7.125%	41.37%	294	121.8	2,972	2,522	450	84.9%	16.71%	2,528	85.1%	85.7%
2034	7.125%	7.125%	41.43%	304	125.9	3,033	2,626	407	86.6%	16.62%	2,632	86.8%	87.3%
2035	7.125%	7.125%	41.52%	314	130.3	3,094	2,735	359	88.4%	16.54%	2,741	88.6%	88.7%
2036	7.125%	7.125%	41.65%	324	134.9	3,154	2,850	304	90.4%	16.46%	2,856	90.5%	90.0%
2037	7.125%	7.125%	41.84%	335	140.0	3,214	2,972	242	92.5%	16.40%	2,978	92.6%	91.2%
2038	7.125%	7.125%	42.15%	346	145.7	3,274	3,102	172	94.7%	16.34%	3,108	94.9%	92.3%
2039	7.125%	7.125%	42.82%	357	152.9	3,335	3,242	93	97.2%	16.29%	3,248	97.4%	93.3%
2040	7.125%	7.125%	46.97%	369	162.6	3,396	3,394	3	99.9%	16.25%	3,400	100.1%	94.2%
2041	7.125%	7.125%	46.51%	381	162.9	3,459	3,458	1	100.0%	16.21%	3,464	100.1%	95.1%
2042	7.125%	7.125%	46.48%	394	164.9	3,523	3,521	1	100.0%	16.18%	3,527	100.1%	95.8%
2043	7.125%	7.125%	46.45%	407	167.0	3,588	3,587	1	100.0%	16.15%	3,593	100.1%	96.5%
2044	7.125%	7.125%	46.44%	421	169.2	3,656	3,655	1	100.0%	16.13%	3,661	100.1%	97.1%
2045	7.125%	7.125%	46.43%	435	171.5	3,727	3,725	1	100.0%	16.12%	3,731	100.1%	97.6%
2046	7.125%	7.125%	46.42%	450	173.8	3,800	3,799	1	100.0%	16.10%	3,805	100.1%	98.0%

Projection assumes no actuarial gains and losses, other than from assets. Projection based on constant population.

Tier 3 changes include No DROP, 2% COLA, pensionable compensation is capped at \$117,020 for 2016, 3 year Final Average Compensation for members hired on or after January 1, 2013.

All dollar amounts in millions.

LAST WEEKS HIGHLIGHTS

Board of Supervisors Meeting of Tuesday, June 21, 2016 (Completed)

Stupid Oak Tree Massacre Results in Call for Moratorium

Item 34 - General Public Comment for Matters Not On the Agenda. There will be a special Board Meeting on Friday, July 15 to adopt a tree removal moratorium. A large group of citizens from Adelaide, Templeton, and other areas showed up and exhorted the Board of Supervisors to adopt an urgency ordinance to prohibit clear cutting of oak trees and other native vegetation. This occurred because of the massive bulldozing of oak trees by the Justin Vineyard. Around 32 people spoke, who all supported an ordinance. Virtually all expressed their dismay over the senseless tree removal and grading. Nearby residents are very worried about flooding and debris when winter rains come and hit the denuded steep slopes above their homes and farms.

One of the speakers had filmed a video of the destruction with a drone and presented it to the Board and audience. Reportedly the video went viral nationally on U-Tube. A subsequent speaker alleged that U-Tube has taken the video down as a result of legal threats from either Justin Vineyards or the Resnick's (it wasn't clear and the law firm was not named).

One danger engendered by the massive oak removal is that any new regulation, fueled by public outrage, will result in a new moratorium on the entire north county in the name of banning tree cutting. Slipped into the moratorium would be various water restrictions designed to devalue properties in order to make them easier to acquire by large corporate speculators and institutions. Even more dangerous to agriculture is the potential that related grading regulations would be expanded to inject the Planning and Building Department into permitting plowing and other normal agricultural operations. This has been a constant threat in Santa Barbara County.

Background: Over 100 citizens attended an ad hoc meeting Monday evening in Templeton, June 13th, to demand action because a local branch of an out-of-County agricultural corporation (Justin Vineyards, a unit of the Ag. Barron Stewart and Lynda Resnick's Wonderful Company) insensitively and illegally (no grading permit) bulldozed thousands of oak trees. News reports indicate that Resnick was one of the backers of the recently voter-rejected AB 2453 Paso Basin Water District (including a \$12,000 campaign contribution to the supporters). This will beckon a new scheme of regulation, and everyone will be punished. Note the large irrigation reservoir that has been scooped out. Those who criticized the proposed AB 2453 water district proposal on the grounds that some backers had larger water storage and sales agendas were maligned by proponents as conspiracy theorists and worse. What do they say now, given this demonstration of arrogance and ruthlessness?

The damage is illustrated in the pictures below.



Before

After

Item 35 - Adoption of the 2016-17 Annual County Budget. The Board adopted the Budget on a 4/1 vote, with Arnold dissenting. Supervisor Arnold pointed out that the amount of funding to maintain the roads at the current, and already poor level, was insufficient to prevent further decline. Last week, during the Monday hearing, the Board gave conceptual approval to the budget. There were no additional changes during this session. The CEO has done a good job locking up much of the natural revenue growth in various reserves. This reduces the propensity for program expansion somewhat.

Relatedly, and after the budget was adopted, closure of the Diablo Nuclear Power Plant was announced. Significantly, the CEO opined in the press that since the property tax, which the County receives attributable to Diablo, is only 2% of the total budget, it will not be much of a problem. Gee, if it's no problem, why wasn't this money going into the roads? In other words, we didn't have enough money for roads and infrastructure before the Diablo closure announcement, so we were desperately asking for a new sales tax. Something doesn't jive here.

APCD Air Pollution Control District Meeting of Wednesday, June 22, 2016 (Completed)

Item B-3: Final Hearing and Adoption of FY 2016-17 Fee Increases. The APCD Board voted to adopt the proposed increases. Supervisor Arnold cast the only no-vote. Again the staff and various Board members made the point that no one was in the audience complaining. This time, both Supervisor Arnold and former Grover Beach Mayor Debbie Peterson (who was a public commenter) pointed out that many permit holders are afraid to complain for fear of retribution.

Last month COLAB requested that the APCD Board, as elected representatives of the people, exercise some due diligence and poke at the system calculations and fees. What actual work in hours is necessary for the staff to undertake in terms of monitoring and analysis that justifies the costs and resulting fees? For example a bakery is 58.3 points. Thus its annual renewal fee, at \$83, would be \$4,389. What analysis does the APCD staff actually conduct at an existing and previously permitted bakery that costs \$4,380? If the staffer who does the analysis is making \$100 per hour, that staffer would have to spend 44 hours analyzing the smoke or whatever comes from the Bakery.

When COLAB asked the question about the bakery during the hearing, staff stated that the facility generates ozone and ethanol. The fact that it generates ozone is not dispositive of the required work. This was a non-answer. The Board ignored the non-answer and moved on. No one questioned why this should require \$4,380 worth of inspection and monitoring every year. Has the bakery violated the limits? How hard is it for someone to sample the air at various random intervals? For example, many people have a pool maintenance person who comes every week, tests the water, and does actual physical work (vacuums the pool). It doesn't cost \$4,380

per year. Or you can endure a regular regimen of dental teeth cleaning (every 3 months) for a lot less.

This time the staff responded that they have to do sampling and examine equipment, and, more revealingly, noted that an overhead factor for running the APCD is included. Mecham made light of the question by asking how the figure for mortuary incinerators was determined. Still, no one actually explained the real hours and metrics.

Basically the attitude is, “We are satisfied, and if you don’t like it, take out papers and get elected.”

Background: It has been several years since the APCD has adopted any across-the-board fee increases. It appears that they are testing the waters. The narrative suggests that the fee increases are small and will have little effect. One general concern is the increase in the “hourly rate,” which is proposed to be raised from \$115 per hour to \$125 per hour.

Item B-4: APCD Board Norms. The Board unanimously adopted the norms. County Counsel pointed out that they had no legal effect, are entirely voluntary, and there is no enforcement.

Background: Last month the APCD continued this item because 4 of the 5 County Supervisors were in Sacramento receiving the latest revealed knowledge and threats from the State water satraps about the State Groundwater Management Act (SGMA). The item is back in revised form. Instead of being entitled “Principles of Decorum,” it is now “Board Norms.” The “norms,” which have replaced the proposed “Principles of Decorum,” are shorter. Apparently the Executive Committee met and revised the staff draft.

SLO COLAB IN DEPTH

In fighting the troublesome, local day-to-day assaults on our freedom and property, it is also important to keep in mind the larger underlying ideological, political, and economic causes and forces.

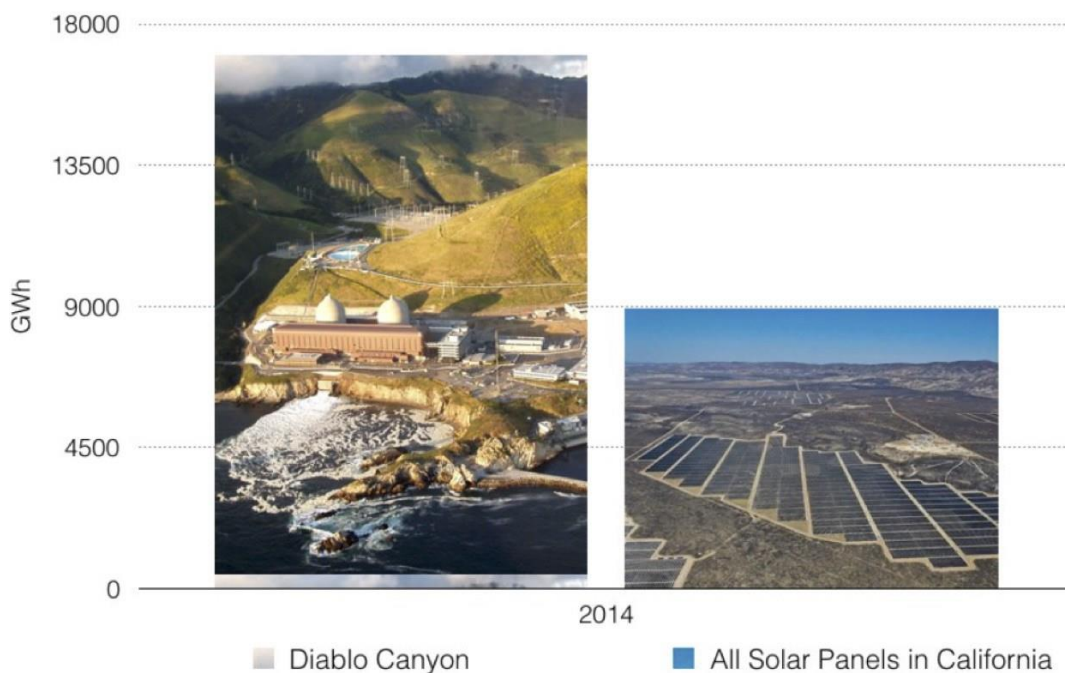
GREAT NEWS FOR FRACKING! CALIFORNIA’S LAST NUKE TO CLOSE

By Steven Hayward

No sooner do [some environmentalists](#) (see item 2 of this Loose Ends post) decide that nuclear power is important and should be expanded then the news comes out this morning that Pacific Gas & Electric has decided to [shut down](#) California's last remaining nuclear power plant at Diablo Canyon in 2025 when its current federal license is up. This is great news for natural gas, because despite what the climatistas (and PG&E's PR department) say, the gap will mostly be filled by natural gas.

In a fine turn of irony, it has been a handful of climate-centric environmentalists who have been arguing strenuously for re-licensing Diablo Canyon, on the sensible ground that this one nuke plant supplies more electricity than all of California's solar panels combined, as shown in this chart I posted [here](#) in March:

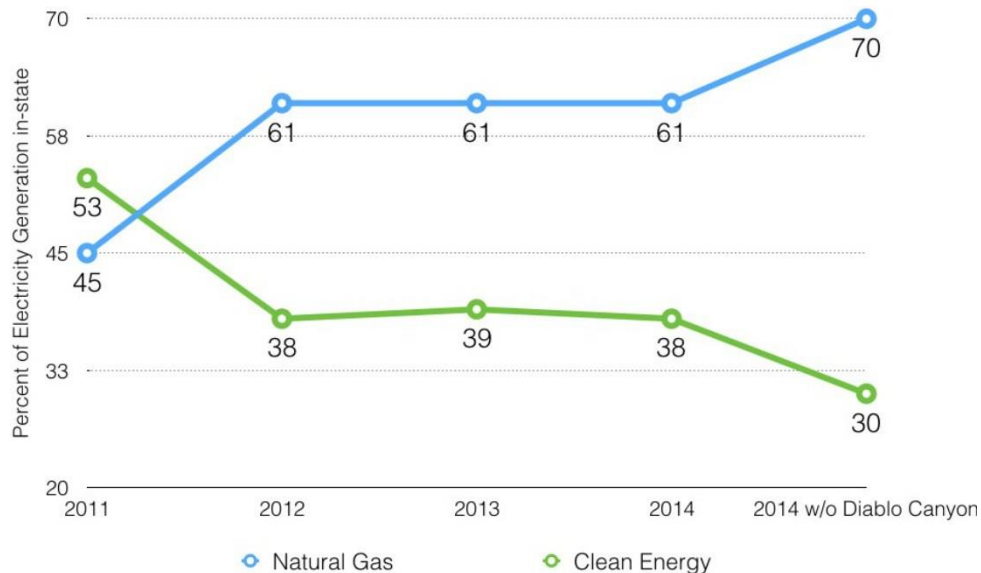
Diablo produces 2x more electricity as all of California's solar panels



California Almanac, "In-State Generation by Fuel Type"
http://energyalmanac.ca.gov/electricity/electric_generation_capacity.html

In the absence of Diablo Canyon, California's "clean energy" profile would look like this:

Replacing Diablo Closure with natural gas would cut clean electricity to 30% & increase natural gas to 70%



Source: California Almanac, "In-State Generation by Fuel Type"
http://energyalmanac.ca.gov/electricity/electric_generation_capacity.html

But if you want a good laugh, take in the triumphant **press release** this morning from the Union of Politicized Concerned Scientists (it is advised you set down any cup of hot beverage you may have in your hand right now first):

Diablo Canyon Nuclear Plant Retirement is Huge Opportunity for California Renewables
Statement by Laura Wisland, Senior Energy Analyst, Union of Concerned Scientists

OAKLAND, Calif. (June 21, 2016)—Pacific Gas and Electric Company's (PG&E) commitment to replace all of the electricity supplied by Diablo Canyon with a combination of zero-carbon resources, once the nuclear plant is taken offline, should ensure that the state will not backslide on its greenhouse gas reduction goals as a result of the company's decision to not relicense the plant. In 2014, generation from the plant made up 21 percent of PG&E's power mix. The plant, located near Avila Beach, in San Luis Obispo County, is the last remaining nuclear power plant still operating in California. Generation from the plant supplied about 6 percent of California's power needs in 2014.

Below is a statement by Laura Wisland, a senior energy analyst at the Union of Concerned Scientists.

"It's great news that PG&E will replace the lost electricity generation from Diablo Canyon with a portfolio of zero-carbon resources, including energy efficiency, renewables, demand response and energy storage. PG&E is already on track to reach 33 percent renewables by 2020 and 50 percent by 2030. This decision to invest in additional zero-carbon resources to replace Diablo's generation helps ensure that the retirement of Diablo is managed to not contribute to an

increase in greenhouse gas emissions, and further solidifies PG&E's reputation as a world-class leader in clean energy investments."

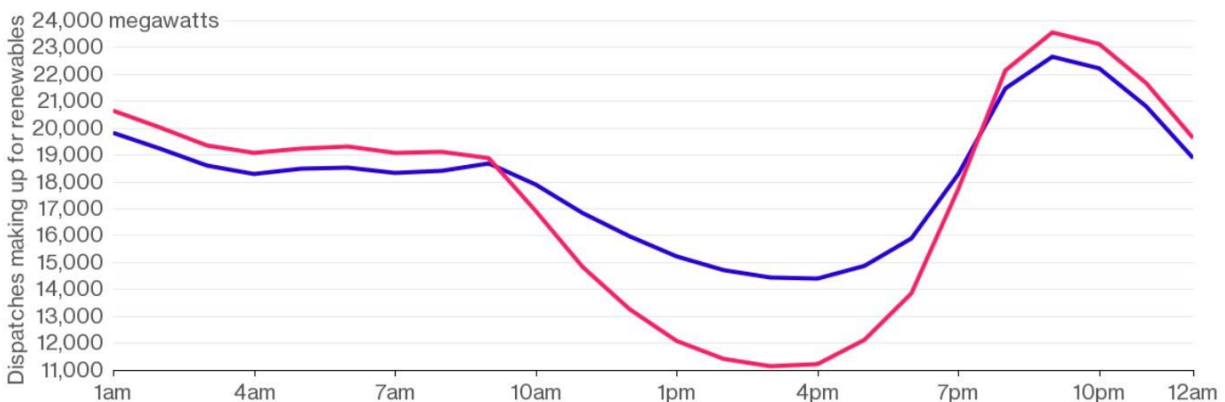
If you've stopped laughing, and read between the lines, you can figure out from certain code words ("energy efficiency" "demand response," etc.) that the expectation is that California will use less electricity. But even if California puts up more windmills and solar panels to replace Diablo Canyon's massive 24/7 output, the gap will certainly be filled by natural gas backup plants, which will be running all day even if they aren't generating electricity until the evening when the "duck curve" kicks in.

What is the "duck curve"? It's the shape of California's electricity demand curve in an average day, and it looks like the curve of a duck's back as power demand goes down in the middle of the day, when solar power is producing the most electricity, and goes up in the later afternoon and evening, as solar output declines rapidly. (Wind power is more variable still.) As the state builds more solar power, the problem becomes worse, as seen in the first display of the duck curve for 2015 and the projection for 2020. What this means is that *a continued buildout of "renewable" "capacity" will not lower California greenhouse gas emissions to the same degree.*

The California Duck Curve

The power California has to dispatch to make up for intermittent renewables surges in the late afternoon hours, creating a curve resembling the profile of a duck.

■ 2015 ■ 2020 Forecast



Source: California ISO

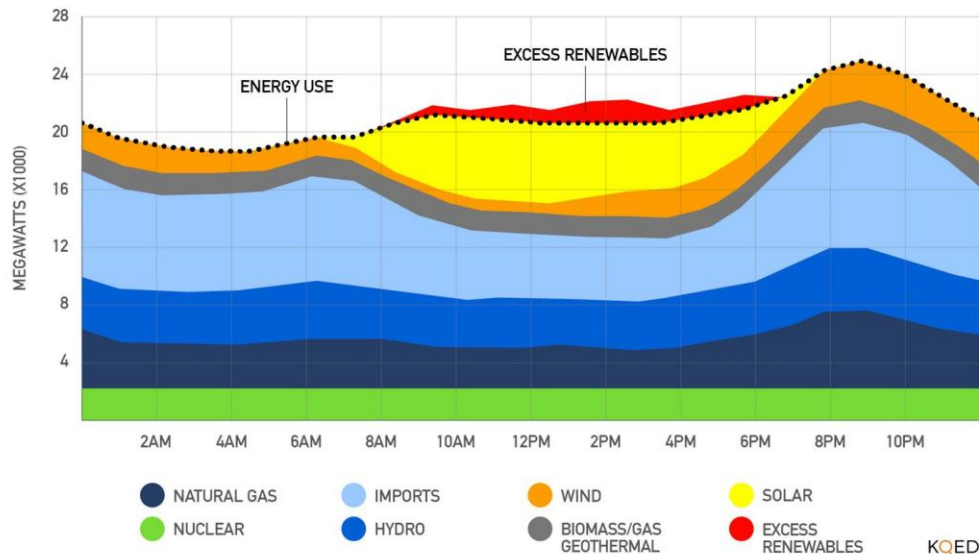
Note: Data is from March 31, 2015, and from forecasts for March 31, 2020.

Bloomberg 

In fact this is becoming a problem *already*; on March 27, some solar farms had to be shut off from the grid because they were providing more power than was demanded:

TOO MUCH RENEWABLE POWER

On March 27, a sunny day, some solar farms had to shut down because there was more power on the grid than Californians were using.



So all in all, the decision to close down Diablo Canyon is great news for natural gas and frackers. (Perhaps we might say the enviros are once again ignoring the fracks of life!) And it's a virtual lock that California will not come close to meeting its ambitious greenhouse gas reduction goals. (For one thing, it is failing already, but that is a subject for another post.) Oh yeah, give PG&E a Green Weenie for their suckup to "renewable" energy. P.S. Special reminder that never gets old:

"Nuclear power is one of the chief long-term hopes for conservation ... Cheap energy in unlimited quantities is one of the chief factors in allowing a large rapidly growing population to preserve wildlands, open space, and lands of high scenic value ... With energy we can afford the luxury of setting aside lands from productive uses."

And who said this? It was David Siri, **the executive director of the Sierra Club**, in 1966.

This article as first posted by Steven Hayward in June 21, 2016. **Hayward** is the Thomas Smith Distinguished Fellow at the Ashbrook Center at Ashland University in Ohio, where he directs the university's new honors program in political economy, and is also the William Simon Distinguished Visiting Professor at Pepperdine University's Graduate School of Public Policy. He holds a Ph.D. in American Studies and an M.A. in Government from Claremont Graduate School.

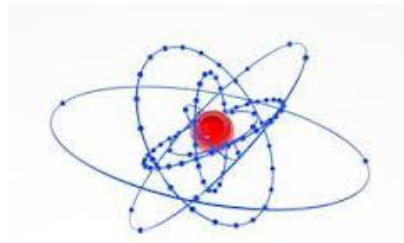
Hayward frequently serves as a guest host for Bill Bennett's national radio show "Morning in America" on the Salem Broadcasting Network, which is carried by 230 stations with an average daily listenership of 3 million. His most recent book is The Politically Incorrect Guide to the Presidents, From Wilson to Obama.

We got a kick out of one of the responses to the article which obviously came from somewhere locally in SLO County.

Congratulations Mother's for Peace and all of you tree hugging, left wing wackos!!

You have successfully shut down the safest and most dependable source of energy in the State of California. And the loss of revenue to schools and SLO County will only be about \$21 Mil annually. Probably make it up at the Elephant Seal viewing stand!!

I hope they choke on their new "green energy" bills!!!



ADDENDUM I

PG&E PRESS RELEASE

The text begins on the next page:



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June 21, 2016

IN STEP WITH CALIFORNIA'S EVOLVING ENERGY POLICY, PG&E, LABOR AND ENVIRONMENTAL GROUPS ANNOUNCE PROPOSAL TO INCREASE ENERGY EFFICIENCY, RENEWABLES AND STORAGE WHILE PHASING OUT NUCLEAR POWER OVER THE NEXT DECADE

SAN FRANCISCO, Calif.— Reflecting California's changing energy landscape, PG&E today announced a joint proposal with labor and leading environmental organizations that would increase investment in energy efficiency, renewables and storage beyond current state mandates while phasing out PG&E's production of nuclear power in California by 2025.

Underpinning the agreement is the recognition that California's new energy policies will significantly reduce the need for Diablo Canyon's electricity output. There are several contributing factors, including the increase of the Renewable Portfolio Standard to 50 percent by 2030, doubling of energy efficiency goals under SB 350, the challenge of managing overgeneration and intermittency conditions under a resource portfolio increasingly influenced by solar and wind production, the growth rate of distributed energy resources, and the potential increases in the departure of PG&E's retail load customers to Community Choice Aggregation.

The joint proposal would replace power produced by two nuclear reactors at the Diablo Canyon Power Plant (DCPP) with a cost-effective, greenhouse gas free portfolio of energy efficiency, renewables and energy storage. It includes a PG&E commitment to a 55 percent renewable energy target in 2031, an unprecedented voluntary commitment by a major U.S. energy company.

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

"California's energy landscape is changing dramatically with energy efficiency, renewables and storage being central to the state's energy policy. As we make this transition, Diablo Canyon's full output will no longer be required. As a result, we will not seek to relicense the facility beyond 2025 pending approval of the joint energy proposal. Importantly, this proposal recognizes the value of GHG-free nuclear power as an important bridge strategy to help ensure that power remains affordable and reliable and that we do not increase the use of fossil fuels while supporting California's vision for the future," said PG&E Corporation Chairman, President and CEO Tony Earley.

He added, "Supporting this is a coalition of labor and environmental partners with some diverse points of view. We came to this agreement with some different perspectives – and we continue to have some different perspectives – but the important thing is that we ultimately got to a

shared point of view about the most appropriate and responsible path forward with respect to Diablo Canyon and how best to support the state's energy vision."

"We are incredibly proud of the men and women who have made Diablo Canyon one of the finest nuclear stations in the country and who, in doing so, have provided our state with GHG-free energy for three decades. We are committed to supporting our valued employees and the community and we will advocate on their behalf throughout this process. We believe the transition period included in this proposal represents a responsible approach that allows time for the needs of employees and the community to be properly addressed," said PG&E Electric President Geisha Williams.

Key Elements of the Joint Proposal

Under the terms of this Joint Proposal, PG&E will retire Diablo Canyon at the expiration of its current NRC operating licenses. The parties will jointly propose and support the orderly replacement of Diablo Canyon with GHG-free resources.

Recognizing that the procurement, construction and implementation of a greenhouse gas free portfolio of energy efficiency, renewables and storage will take years, the parties recognize that PG&E intends to operate Diablo Canyon to the end of its current NRC operating licenses, which expire on November 2, 2024 (Unit 1) and August 26, 2025 (Unit 2).

This eight- to nine-year transition period will provide the time to begin the process to plan and replace Diablo Canyon's energy with new GHG-free replacement resources.

PG&E will immediately cease any efforts on its part to renew the Diablo Canyon operating licenses and will ask the NRC to suspend consideration of the pending Diablo Canyon license renewal application pending withdrawal with prejudice of the NRC application upon CPUC approval of the Joint Proposal Application.

PG&E does not believe customer rates will increase as a result of the joint proposal because it believes it is likely that implementing the proposal will have a lower overall cost than relicensing DCPD and operating it through 2044. Factors affecting this include, in addition to lower demand, declining costs for renewable power and the potential for higher renewable integration costs if DCPD is relicensed.

Commitment to Employees and the Community

The parties to the agreement are jointly committed to supporting a successful transition for DCPD employees and the community.

PG&E's DCPD Retention Program will provide, among other things, incentives to retain employees during the remaining operating years of the plant, a retraining and development program to facilitate redeployment of a portion of plant personnel to the decommissioning project or other positions within the company, and severance payments upon the completion of employment. PG&E has reached agreement on these benefits with IBEW Local 1245 and will immediately engage in bargaining with its other labor unions to ensure appropriate benefits for represented employees.

In addition, the joint proposal includes payments by PG&E to San Luis Obispo County totaling nearly \$50 million. The proposed payments are designed to offset declining property taxes through 2025 in support of a transition plan for the county.

Agreement Contingencies

The joint proposal is contingent on a number of important regulatory actions, including:

- Approval of a lease extension from the State Lands Commission without which the company cannot operate DCPD beyond 2018.
- Approval by the CPUC of the proposed plan for replacement of Diablo Canyon with greenhouse gas-free resources. Any resource procurement PG&E makes will be subject to a non-bypassable cost allocation mechanism that ensures all users of PG&E's grid pay a fair share of the costs.
- CPUC confirmation that PG&E's investment in DCPD will be recovered by the time the plant closes in 2025.
- CPUC approval of cost recovery for appropriate employee and community transition benefits.

Additional Information

The joint proposal can be read in its entirety [here](#).

Additional information prepared by M.J. Bradley & Associates, a strategic environmental consulting firm, can be accessed [here](#).

The joint parties will be issuing additional statements today regarding their participation in the proposal.

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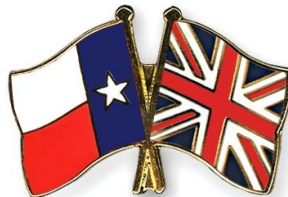
About PG&E

Pacific Gas and Electric Company, a subsidiary of [PG&E Corporation](#) (NYSE:PCG), is one of the largest combined natural gas and electric utilities in the United States. Based in San Francisco, with more than 20,000 employees, the company delivers some of the nation's cleanest energy to nearly 16 million people in Northern and Central California. For more information, visit www.pge.com/ and www.pge.com/en/about/newsroom/index.page.



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