



June 21, 2016

California State Lands Commission
100 Howe Avenue, Suite 100 South
Sacramento, CA 95825-8202

Re: Diablo Canyon Power Plant – State Lands Commission Lease

Dear Honorable Commissioners:

Pacific Gas & Electric Company (“PG&E”), the Natural Resources Defense Council (“NRDC”), Friends of the Earth (“FOE”), Environment California, International Brotherhood of Electrical Workers Local 1245 (“IBEW Local 1245”) and Coalition of California Utility Employees (“CUE”) submit this joint letter informing the State Lands Commission of an historic agreement (“Joint Proposal”) among the parties regarding the Diablo Canyon Power Plant (“DCPP”), which will have a profound effect on the clean energy future of California. Under the Joint Proposal, PG&E will retire DCPP in 2025 when the later of its two current operating licenses with the Nuclear Regulatory Commission (“NRC”) is set to expire, rather than continue to pursue NRC approval to extend operations at DCPP for an additional 20 years beyond the expiration of its current operating licenses. Expiration of those operating licenses will represent the end of nuclear power generation operations at DCPP, after which the plant will be decommissioned. Under the Joint Proposal and subject to required approvals, PG&E will replace the energy generated by the DCPP with a greenhouse gas free portfolio of energy efficiency and renewables, while ensuring that employees at DCPP are retained through the remaining operation of the plant and receive severance payments and other opportunities at the end of their employment. In light of the significant changed circumstances occasioned by the Joint Proposal, the parties write in support of PG&E’s application to the Commission for a new short term lease to run coterminous with DCPP’s current operating licenses (“Lease Request”).

I. Approval of the Lease Request Is Consistent with the Public Trust Doctrine and In the Best Interests of the State.

A principal component of the Joint Proposal is an acknowledgement by the parties that approval of the Lease Request, coupled with an end to nuclear power generation at DCPD in 2025, would balance the use of public trust resources in the best interests of the State. This would be achieved through development of greenhouse gas (GHG) free energy alternatives that would replace the plant's current power generation. DCPD currently provides approximately 9% of the State's energy portfolio without generating GHG emissions. Approval of the Lease Request will ensure sufficient time for PG&E to identify and bring online a portfolio of resources to replace this GHG free generation resource and avoid reliance upon existing, fossil fuel-powered energy resources during this period. Accordingly, approval of the Lease Request would directly promote California's GHG emission reduction and climate change response goals.

Implementation of the requirements under the Joint Proposal, including approval of the Lease Request, also would minimize and ultimately eliminate impacts to public trust resources associated with DCPD operations. Because approval of the Lease Request would not involve any physical or operational changes at DCPD, it would not create any new or increased impacts to public trust lands, and existing impacts to public trust resources would continue to be minimized through strict adherence to all regulatory and mitigation requirements, including the requirements set forth by the State Water Resources Control Board in its once-through cooling ("OTC") policy. As set forth in the Joint Proposal, following the termination of the short-term lease, DCPD will cease operations and be decommissioned, thereby significantly reducing - and ultimately eliminating, once the plant is fully decommissioned - the potential for future conflicts with public trust resources at DCPD. Approval of the Lease Request would therefore promote and be consistent with the Commission's April 17, 2006 resolution regarding the phasing out of OTC operations at coastal power plants. Moreover, public access to the coast would continue to be maintained and enhanced, as the existing, extensive public trail system provided by PG&E in the vicinity of DCPD - through the North Ranch and Pecho Coast trails, as well as to the Port San Luis Lighthouse - will continue to exist in perpetuity as a valuable public recreational benefit, and the trail experience will be enhanced by closure of the plant.

For these reasons, and given the particular circumstances of this matter, including that PG&E will not seek license renewal, the parties agree that the Lease Request is consistent with the public trust doctrine, will not create any conflicts with public trust lands that are under the Commission's jurisdiction, and is in the best interests of the State.

II. The Parties Support Granting of New Lease, Without a Comprehensive CEQA Review Given the Short Term Nature of the Leases, PG&E's Decision Not to Seek License Renewal and the Unique Circumstances Described in the Joint Proposal.

Given the particular circumstances of this matter, including that PG&E will not seek license renewal of Diablo Canyon, the parties support approval of a lease for the continuing operations of the plant through August 26, 2025, without any material increase or change in those operations, without review under the California Environmental Quality Act ("CEQA"). The appendix contains additional legal analysis by PG&E supporting this conclusion.

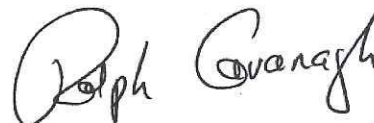
After PG&E develops a site-specific decommissioning plan for DCP, PG&E will submit a new lease application to the Commission to allow use of the intake and discharge for the period of time necessary to accommodate decommissioning activities. The Parties expect that the Commission's review of the lease request for the decommissioning project and the Coastal Commission's review of any development under the project, will be subject to environmental review under CEQA.

In summary, the Lease Request is for a specified, limited term, which will allow PG&E to identify and bring online a portfolio of GHG free resources to replace energy from DCP. Approval of the Lease Request will not involve any changes to, or expansion of, the existing DCP facility. The short-term lease approval, coupled with the terms and obligations of the Joint Proposal, will result in new public benefits for all of the State's residents. DCP's use of public trust resources will continue to comply with all required regulations and mitigation requirements, which will ensure minimization of impacts during the power plant's final short-term lease period.

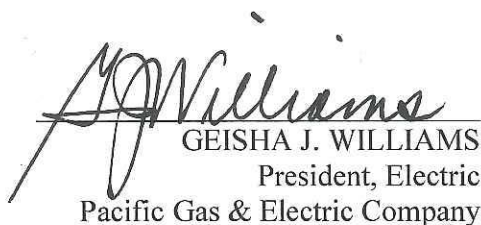
PG&E and its environmental and labor partners jointly urge the Commission to approve the Lease Request at its meeting on June 28, 2016 to allow continued operation of DCPD until 2025. Thank you for your consideration of this request, and please do not hesitate to contact any of the below parties with any questions.



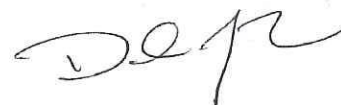
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MARC D. JOSEPH
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cc: Jennifer Lucchesi, Executive Officer, California State Lands Commission

APPENDIX:

PG&E CEQA ANALYSIS IN SUPPORT OF THE JOINT PROPOSAL

In the Joint Proposal, based upon the underlying circumstances, the Commission may rely upon the “existing facilities” categorical exemption as the appropriate environmental clearance for the Lease Request under the California Environmental Quality Act (“CEQA”). Under the State’s CEQA Guidelines, this categorical exemption expressly applies to the leasing of existing investor-owned power-generating facilities, such as DCP, involving no expansion of use. (CEQA Guidelines § 15301(b).) The Commission’s regulations likewise provide this CEQA exemption for existing facilities. (2 CCR § 2905(a)(2).) As approval of the Lease Request would not involve any physical or operational changes to DCP, there is no potential for increased or changed environmental impacts over those that exist today. Moreover, now that it has been agreed that DCP will cease operations and be decommissioned after 2025, there are no longer unresolved questions regarding the power plant’s potential long-term operational impacts.

Further, arguments that the categorical exemption should not be applied due to the potential for significant impacts arising from unusual circumstances are inapplicable. The environmental impacts of the Lease Request must be measured against existing environmental conditions – an operating nuclear power plant. As noted above, approval of the Lease Request would not involve any physical or operational changes to DCP: to the extent nuclear power plant operation, in and of itself, presents an unusual circumstance, that unusual circumstance exists today and, therefore, is part of existing environmental conditions against which impacts would be measured. Reliance on the “existing facilities” categorical exemption for approval of the Lease Request is completely appropriate and fully consistent with the purposes and intent of CEQA.

CONCLUSION: Approval of the Lease Request is fully consistent with the public trust doctrine, is in the State’s best interests, and is properly exempt from CEQA.