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Via Email to kewis@energy.state.ca.us and docket@energy.state.ca.us
Original to Follow Via U.S. Mail

CALIFORNIA ENERGY COMMISSION
Attn: Kae Lewis, Project Manager
Docket Unit
1516 Ninth Street, MS-4
Sacramento CA 95814-5512

**Re: Duke Energy's Application for Certification;
Morro Bay, California
Docket No. 00-AFC-12**

Dear Ms. Lewis:

With regard to the above Application, please find enclosed my analysis of the Socioeconomic section of Duke Energy's October 2000 Application which I am providing for inclusion in the CEC's Data Adequacy review of this issue.

As indicated above, I am also emailing a copy of my analysis to you today, with the original and 11 copies to follow by mail.

I would appreciate your keeping me informed of the status of the Data Adequacy review. And, of course, please don't hesitate to contact me if you have questions or comments.

Sincerely,



David Nelson

Enclosures

To: California Energy Commission
Attention: Kae Lewis, Project Manager

Fr: David Nelson
2580 Juniper Avenue, Morro Bay, CA 93442
Phone: (805) 772-2524 Email: nelsonswest@msn.com

Re: Duke Energy's Application for Certification;
Morro Bay, California; Docket No. 00-AFC-12

DATA ADEQUACY REVIEW - SOCIOECONOMICS

As a resident of Morro Bay, I have reviewed the Socioeconomic section of the above-described Application for Certification ("AFC") and find that it is inadequate in the following areas and for the following reasons.

1. The AFC does not provide any with/without analysis of the project for the two key issues of tourism/recreation and property values. The present plant predates CEQA and consequently no such analysis was conducted at the time it was constructed in the early 1950's.

2. Sec. 6.10.1.2.3: The AFC fails to compare the median price of Morro Bay housing to those of Cayucos and Cambria, the neighboring beach communities along Highway One. This would better, and more accurately, reflect the impact the power plant has on Morro Bay property values.

3. Sec. 6.10.2.2.3: The AFC doesn't compare tourism in Morro Bay with other cities along the Scenic Coast Highway, between Morro Bay and Monterey. The impact on tourism is based on studies of San Luis Obispo, Pismo Beach and Paso Robles, none of which are located on Highway One. Highway One is a very unique, international tourist corridor. All impacts on tourism should be based on cities and towns located on Pacific Coast Highway One (such as Monterey, Carmel, Cambria and Cayucos) to seek the real impacts.

4. The AFC does not include tourist resource materials which critique Morro Bay as a tourist destination. I enclose as Exhibit A for incorporation into your review excerpts from several tourguides reflecting the impression made by the power plant on tourists. For Duke to say in its

AFC that the power plant has no impact on tourism, without providing substantiating supporting data, is not adequate.

5. Sec. 6.10.3: This section on mitigation measures needs to be adjusted to reflect better comparisons of the area. Again, the Application does not compare Morro Bay to cities located on Scenic Highway One which is unique and special. The AFC claims no impact and provides no supporting data for this conclusion.

6. Appendix 6.10-4: The AFC provides an inadequate case study using Diablo Canyon Nuclear Power Plant ("Diablo") to evaluate impacts on local tourism caused by industrial development. The Diablo Canyon plant is approximately two to three miles away from the nearest town. (Avila Beach) and is completely out of site of Avila Beach. In fact, Diablo is in effect isolated on more than 50,000 acres of uninhabited land. Unless one drives down the gated access road to the plant, the only way to see Diablo is by plane or by boat. These circumstances are completely opposite to those concerning the Morro Bay power plant which sits in the heart of a small community of approximately 10,000 people and is only blocks away from businesses, schools and neighborhoods. The Morro Bay power plant can be viewed from virtually every neighborhood in Morro Bay as well as when driving through on Scenic Coast Highway One. This is not a comparable case study submitted by Duke Energy and is inadequate. Nor does Duke provide any data showing what impacts noise and visual effects will have on tourism.

7. Finally, I enclose as Exhibit B, attached hereto and to be incorporated in full, copy of the Socioeconomic section of the City of Morro Bay's "Draft Pre-application Recommendations and Proposed Environmental Thresholds of Significance for Duke Morro Bay Power Plant Project" dated June 12, 2000 which was prepared by economist Dr. Robert Neihaus. This report identifies many areas of data inadequacy. Although Duke Energy seems to have addressed a number of them, I have underlined those which remain data inadequate and need additional information to be provided.

Sincerely,



David Nelson

ATTACHMENT A

The following are excerpts from two popular tour books regarding Morro Bay, California:

Frommer's '99 - California by Erika Lenkert, Matthew R. Poole, Stephanie Avnet & Elizabeth Hansen, ©1998 by Simon & Schuster, Inc., published by Macmillan USA, at page 373:

"But other than gawking at the amazing 'Gibraltar of the Pacific,' there's little reason to visit the town itself. The motel strip and the horrific, gigantic, absurdly placed oceanfront electrical plant (directly blocking the view of the rock) mar the appeal....."

Foghorn Outdoors' California Beaches, © 1999, Foghorn Press, at pages 310-312:

...The Morro Bay Power Station is another massive feature on the landscape. Its three 450-foot-tall smokestacks are located directly across the road from Morro Rock, but you won't see them pictured on any postcards or promotional brochures for Morro Bay. They resemble enormous filter-tipped cigarettes, make a noise not unlike the drone in the film *Eraserhead*, and warm the nearby water by a few degrees. Between San Diego and Morro Bay we'd seen two nuclear power stations built on fault lines and now a power plant sited by one of the most wondrous natural features on the coast. When will they ever learn?"

Coastal California, Compass American Guides, an Imprint of Fodor's Travel Publications, Inc., © 1998, at page 246:

"The view north of town is spoiled by three 450-foot high smokestacks of the Morro Bay Power Station. But you soon learn to block out the stacks and enjoy the scenery in spite of their bulky presence."

California, Fodor's 2000, at page 338:

"Except for the highly visible smokestacks of an electric plant (and a restaurant scene that's completely au courant) the town retains a retro feel."

Southern California Handbook, Moon Travel Handbooks, © 1998, revised 8/99, at pages 646-647:

"...The height of the rock seems reduced even more by the proximity of the three 450-foot-tall PG&E power plant smokestacks jutting from the edge of the bay like giant gun barrels, part of the scenery since 1953."

CITY OF MORRO BAY
DRAFT PRE-APPLICATION RECOMMENDATIONS AND
PROPOSED ENVIRONMENTAL THRESHOLDS OF SIGNIFICANCE
FOR DUKE MORRO BAY POWER PLANT PROJECT

JUNE 12, 2000

PREPARED BY:

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION (SAIC),
DAVID STONE, SENIOR PROJECT MANAGER

CITY OF MORRO BAY PUBLIC SERVICES DEPARTMENT
GREG FUZ, DIRECTOR

SOCIOECONOMIC ISSUES

KEY ISSUES:

- With three distinct phases of construction and demolition proposed, how will the business and residences within the community and along any transportation routes be affected, and compensated for any potential economic losses resulting from reduced business, tourism, property values? Can the project development period be shortened to reduce such impacts by compressing the project into a single shorter construction and demolition phase?
- How will the proposed project's effects on property values be calculated and how will compensation for any loss be determined?
- How will socioeconomic impacts on tourism and property values be used to determine the most preferable project alternative?
- How will environmental justice issues be addressed?
- How will socioeconomic effects from any impacts on commercial or recreational fishing be considered?
- How will the physical effects (including visual, socioeconomic, noise, etc.) of the interim condition between completion of Phase 1 and beginning of Phase 2 construction be addressed?

RECOMMENDED THRESHOLDS OF SIGNIFICANCE:

A project would have a significant socioeconomic impact if it would, directly or indirectly:

1. Generate substantial physical impacts on the environment that would in turn result in significant economic and/or social changes.
2. Result in a reduction in area property values and associated property tax revenues.
3. Result in a reduction in sales or transient occupancy tax (bed tax) revenues.
4. Result in a reduction in rental housing affordability during construction.
5. Result in increased frequency and/or cost of dredging.
6. Negatively affect the City's ability to retain and/or attract priority land uses identified in the Coastal Act.
7. Negatively affect commercial/recreational fishing and/or supporting harbor related uses and activities.
8. Substantially reduce employment within Morro Bay.
9. Result in disproportionate environmental impacts on low income and/or minority populations.

PROJECT RECOMMENDATIONS:

1. *Issue: Morro Bay has a shortage of rental housing, especially of low and moderate cost. How will the impact of construction worker housing affect the rental market? How can economic and cultural impacts be avoided?*

Recommendation: Provide the following in the revised AFC and/or subsequent environmental analysis:

- a. Consider the effects of the influx of construction workers during each phase of development and demolition on the availability and affordability of rental housing within the community;
- b. Develop appropriate measures for off-setting such impacts;

- c. Consider the possibility of local hiring preferences and apprenticeship programs for local youth, perhaps in conjunction with summer programs and Cuesta College, during construction;
- d. Consider requiring local hiring and training programs as part of bid specifications for contract and subcontract work;
- e. Evaluate labor force displacement in the socioeconomic analysis, particularly effects on local availability of labor for other projects.
- f. Coordinate labor force analysis with local unions (plumbers/pipe-fitters, others);
- g. Coordinate with the school district regarding potential impacts and mitigation;
- h. Consider use of block acquisition of housing (hotel rooms, apartments, etc.) and van-pooling to reduce housing market and traffic impacts; and
- i. Establish a socioeconomic monitoring program, in partnership with the City, to track total and local employment and purchases, as well as population in Morro Bay and nearby communities.

Issue: How will the long-term impact on Morro Bay residents caused by plant employment be addressed?

Recommendation: Provide the following in the revised AFC and/or subsequent environmental analysis:

- a. Include calculations of existing employment and salary ranges; and
- b. Estimate the number of new ~~short-term~~ construction and ~~long-term~~ operation employees, how many are likely to be new to the area, and their salary ranges;
- c. Assess any direct and indirect growth-inducing impacts of the project.

Issue: With multiple phases of construction and demolition, how will the business and residences in the community and along any transportation routes be affected, and compensated?

Recommendation: Provide the following in the revised AFC and/or subsequent environmental analysis:

- a. Include calculations and assumptions on which the local economic benefit and potential **adversity** and tax revenue calculations are based to allow review by independent parties;
- b. Consider in the socioeconomic analysis (similar to the visual analysis) the specific implications of the interim period during which the old MBPP facility remains in place and the new facility is constructed and put into operation. Quantify any impacts on tax revenues, property values, and any other impacted economic variables for each phase of the project, particularly for the interim phase. Consider measures to off-set any adverse effects on tourism, visitor-serving uses/activities, commercial fishing activities, property values, transient-occupancy taxes, sales taxes, etc.;
- c. Consider developing the project in a single phase to reduce socioeconomic effects related to maintaining an "interim condition" on the project site for a period of years.

4. *Issue: How will the proposed project's effects on property values, including those resulting from tourism, and ~~health~~ be calculated and how will compensation for any loss be determined?*

Recommendation: Prepare the following analysis and include in the text of the revised AFC and/or subsequent environmental analysis:

- a. Focus the socioeconomic analysis on the consequences of visual, noise, air pollution, and Estuary water quality and related impacts of the project on tourism and property values, since these are the most important potentially adverse socioeconomic effects of the project. For property values, analyze impacts by sub-areas within the City, and specifically consider the duration of any "interim" condition prior to demolition of the existing plant, in calculating economic and property value effects. For tourism, provide specific indicators of visitor activity – number of visitors, hotel night stays, occupancy taxes, etc.
- b. Analyze the socio-economic effects of the interim condition with respect to each of these impacts, using an appropriate methodology approved by the City. Particular considerations should be given to the various phasing scenarios, the duration of each interim state, and the corresponding predicted effects on socio-economic variables of importance to the City. Explicitly consider the relationship between the duration of any interim states and the magnitude of socioeconomic levels;
- c. Consider evaluating impacts on property values by sub-areas within the city and specifically consider the duration of any "interim" condition prior to demolition of the existing plant, in calculating economic effects.
- d. Incorporate the results of the visual and noise analyses in the socioeconomic analysis, translating these key effects into measures of socioeconomic and human health well-being. These measures may include indicators or indices of attractiveness for Morro Bay relative to other coastal cities in the area (such as Cambria, Cayucos, or Pismo Beach);
- e. Incorporate structured public inputs in the socioeconomic analysis to gain insight into how property values and tourism are affected by the project. These inputs can be in the form of an ordering of preferences (Alternative 1 preferred to Alternative 4, etc.); an index of preferences (Alternative 1 gets a 7 out 10, Alternative 4 gets a 5 out of 10); measures of willingness to pay (x dollars for Alternative 1, y dollars for Alternative 4, etc.); or some other form that can be used to attempt to quantify socioeconomic preferences, reactions, impacts; and
- f. Address any unavoidable residual socioeconomic impacts through a coastal resource enhancement fund.

5. *Issue: How will socioeconomic impacts on tourism and property values be used to determine the most preferable project alternative?*

Recommendation: Address in the socioeconomic analysis of the revised AFC and/or subsequent environmental analysis the following:

- a. Similar to the visual analysis, evaluate the relative merits of the four potential project siting options. Consult with the Chamber of Commerce and local tourism, (hotel/restaurant), realtor, and other trade associations. This will permit assessment of the long-term impact of the redesigned project on tourism and property values. It also will provide information on the relative attractiveness of the four siting options;
- b. Address the direct and indirect growth impacts of improving the aesthetic character of the City's waterfront area, and potential for attracting more residents and visitors to the City and nearby areas; and
- c. Address the socioeconomic effects of any project alternatives at an appropriate level of detail to allow for accurate comparison.

6. *Issue: How will the potential socioeconomic impacts on commercial and recreational fishing resulting from plant use of Estuary water diversions, including impingement and entrainment of marine life, be addressed?*

Recommendation: Address in the socioeconomic analysis of the revised AFC and/or subsequent environmental analysis the potential for direct and indirect economic loss of commercial fishing revenue and recreational fishing opportunities that may result from the project's use of Estuary water for plant cooling, including any reduction in fish populations.

7. *Issue: What are the potential sedimentation effects resulting from the intake of Estuary waters for cooling activity and how are any direct and indirect socioeconomic effects resulting therefrom going to be addressed.*

Recommendation: Address the effects on plant cooling water withdrawals on Estuary sedimentation patterns, and effects on recreational and commercial uses. Consider frequency and costs of dredging from increased sedimentation under the proposed project, no plant, old plant only, and both combined old and new plant. Address appropriate cost sharing arrangements for any additional dredging required as a result of the project.

8. Address growth inducing effects of the project and any related direct/indirect impacts on resources/socioeconomics.
9. Include the applicable terms of the MOU in the project description for the revised project before it is re-submitted to the CEC.