



SONGS DECOMMISSIONING COST ESTIMATE AND TRUST FUND

Public Utilities Department

City Council
December 13, 2022

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BACKGROUND

1. Riverside owns 1.79% of the San Onofre Nuclear Generating Station (SONGS) Units 2 & 3 located within Camp Pendleton on land owned by the U.S Department of Navy.
2. SONGS is co-owned by the City of Anaheim, City of Riverside, San Diego Gas & Electric Company, and SCE.
3. On June 7, 2013, SCE announced its decision to permanently retire SONGS and begin the SONGS Decommissioning Project.
 - a. Decommissioning involves transferring the spent fuel into safe storage, dismantlement of structures, followed by the removal and disposal of radioactive components and materials.
 - b. SCE is currently serving as the Decommissioning Agent.



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DECOMMISSIONING COST ESTIMATE (DCE)

1. In December 2014, SCE submitted its first DCE report to the CPUC. The est. decommissioning cost was approximately \$4.411 billion in 2014 dollars. Riverside's proportionate share was \$79 million.
2. In late 2021, SCE finalized the 2020 DCE reflective of the actual project costs and all updated project progress on SCE's decommissioning activities through end of 2020. As of December 31, 2021, Riverside's share of SONGS decommissioning liability is \$55,362,731 in 2021 dollars:

| Total SONGS DCE Cost (2021\$) | Total Recorded Costs (December 31, 2021) | Annually Adjusted Decommissioning Cost Estimate (AADCE) | Riverside's Share of the AADCE (1.79%) | Riverside's Floor Balance (80% of Riverside's Share of the AADCE) |
|-------------------------------------|--|---|---|---|
| 5,554,010,000 | 2,461,120,000 | 3,092,890,000 | 55,362,731 | 44,290,185 |



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RESTRICTED TRUST FUND

1. Nuclear power plants are required by the Nuclear Regulatory Commission to set aside funds for decommissioning while the plant is operating.
2. Riverside had set aside funds to pay for its share of SONGS Units 2 & 3 decommissioning obligations in certain restricted trust accounts while the plant was operational.
3. On March 8, 1991, Riverside entered into a Decommissioning Trust Fund Agreement with the Bank of California (now US Bank) to meet the NRC's requirements for financial assurances and began depositing funds into the accounts.
4. Under the terms of the Decommissioning Trust Fund Agreement, the funds in the Restricted Trust Fund Account ("Restricted Account") can only be used for decommissioning related activities.
5. Prior to accessing the trust funds, the Board and City Council adopted a Resolution, which was approved on January 22, 2016, and February 23, 2016, respectively. The Resolution authorized access to the decommissioning trust funds to pay for Riverside's share of SONGS decommissioning costs.



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ADDITIONAL DECOMMISSIONING LIABILITY RESERVE

Due to the uncertainties around future decommissioning costs on a project that could potentially span across half a century, the City, in 2013, established a designated reserve account, the Decommissioning Additional Decommissioning Liability Reserve Account ("Unrestricted Account")

1. In the Electric Fund with initial annual funding of \$1.6 million.
2. In FY 2020/21, the annual funding was increased to \$2 million
3. The cumulation of this additional reserve is intended to supplement the Restricted Account to ensure the City's financial means to cover 100% of its decommissioning obligations.



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ANNUAL DECOMMISSIONING FUND STATUS

1. In accordance with the SONGS Decommissioning Agreement, an Annual Decommissioning Fund Status Report must be filed in the beginning of each calendar year to demonstrate Riverside's decommissioning fund sufficiency in its Restricted Account.
2. The report must show that the liquidation value of the funds is equal to or above the Floor Balance, or eighty percent (80%) of Riverside's share of the Annually Adjusted Decommissioning Cost Estimate.
3. The Annually Adjusted Decommissioning Cost Estimate represents remaining costs to complete decommissioning work, based on the most recent DCE in current year dollars subtracting the recorded costs to date.



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FAILURE TO MEET THE FLOOR BALANCE

1. If a co-owner's funding amount is below the Floor Balance, 80%, then such co-owner would be considered as underfunded.
2. The underfunded co-owner must prepare a cure plan to bring the liquidation value of its funds up to the Floor Balance within a three-year period.
3. If the underfunded co-owner fails to adopt a cure plan or fails to execute according to the cure plan, then the co-owner would be in default.
4. A co-owner in default will not be relieved from any obligations under the SONGS Decommissioning Agreement for payment of its share of the decommissioning costs, but will lose the ability to be represented on and participate in votes by the committees that manage the decommissioning activities until the default is cured.



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TRANSFER TO RESTRICTED ACCOUNT

1. As of December 31, 2021, the balance in the SONGS Trust Fund Accounts is \$45,641,038, which is 82.44% of RPUs total share of the SONGS Liability amount of \$55,362,731, at risk of falling below the 80% Floor Balance by end of calendar year 2022.
2. A transfer of \$9,721,693 from the Designated Reserve will bring the funding level of the Trust Fund Accounts to 100%.

| | SONGS Liability | % Funded | SONGS Trust Funds Balance | Transfer Amount | Designated Reserve Bal |
|----------------|-----------------|----------|---------------------------|------------------|------------------------|
| 12/31/2021 | 55,362,731 | 82.44% | 45,641,038 | | 14,916,770 |
| Recommendation | 55,362,731 | 100% | 55,362,731 | 9,721,693 | 5,195,077 |



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STRATEGIC PLAN ALIGNMENT



Strategic Priority 5 - High Performing Government

Goal 5.4 to achieve and maintain financial health by addressing fiscal resources to yield the greatest impact.

Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability &
Resiliency



Equity



Innovation



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RECOMMENDATIONS

That the City Council:

1. Receive an update of the San Onofre Nuclear Generating Station 2020 Decommissioning Cost Estimate;
2. Approve the transfer of up to \$9,721,693 from the Designated Additional Decommissioning Liability Reserve Account to the Restricted Trust Fund Accounts for the City's decommissioning obligation; and
3. Authorize the City Manager, or designee, to execute all documents necessary to administer the transfer of funds from the Designated Additional Decommissioning Liability Reserve Account to the Restricted Trust Fund Accounts.



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