



*City of Arts & Innovation*

# City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: FEBRUARY 23, 2016

FROM: PUBLIC UTILITIES DEPARTMENT WARDS: ALL

SUBJECT: APPROVAL OF A RESOLUTION AUTHORIZING THE COMMENCEMENT OF THE DECOMMISSIONING OF THE SAN ONOFRE NUCLEAR GENERATION STATION UNITS TWO AND THREE

## **ISSUE:**

This item for City Council consideration is the approval of a Resolution required by the Decommissioning Trust Fund Agreement (Trust Agreement) to begin drawing upon decommissioning funds held in trust by US Bank.

## **RECOMMENDATIONS:**

That the City Council:

1. Adopt a Resolution authorizing the commencement of the decommissioning of Units 2 (U2) and 3 (U3) of the San Onofre Nuclear Generating Station (**SONGS**); and
2. Authorize the City Manager, or his designee, to execute any documents necessary to administer the Resolution to draw upon Riverside's decommissioning trust funds.

## **BOARD RECOMMENDATION:**

On January 22, 2016, the Board of Public Utilities unanimously approved this item.

## **BACKGROUND:**

Riverside owns 1.79% of SONGS U2 and U3 located in San Diego County, near the City of San Clemente. Commercial operations commenced in 1983 and 1984 for U2 and U3, respectively. SONGS provided a reliable, zero greenhouse gas emitting, supply resource serving Riverside's residents over several decades. While operational, SONGS U2/U3 provided forty megawatts of capacity and approximately fifteen percent of Riverside's annual energy requirements.

In 2010 and 2011, two replacement steam generators (**RSGs**) were installed in both U2 and U3, respectively. In January 2012, U2 was shut down for its first scheduled refueling outage post RSG installation. On January 30, 2012 a minor tube leak was found in U3, requiring that the unit be shut down for safety reasons. As a result of the tube leak, both U2 and U3 were

subjected to extensive testing and inspections, ultimately concluding that the RSGs in both units contained design flaws. The RSGs were only two years old for U2, and less than a year old for U3.

On June 7, 2013, SCE, as SONGS operating agent, made the unilateral decision to permanently retire both units. On June 12, 2013 SCE submitted to the United States Nuclear Regulatory Commission (**NRC**) a certification that effective June 7, 2013, it had permanently ceased power operations of SONGS U2 and U3, thereby initiating decommissioning process. The other co-owners also responsible for the costs to decommission SONGS are Southern California Edison (**SCE**), San Diego Gas & Electric Company, and the City of Anaheim.

On March 3, 2015, the City Council approved the SONGS Decommissioning Agreement setting forth the process to decommission the plant. The decommissioning process is expected to take at least 20 years.

While operational, consistent with NRC and applicable state regulations, Riverside continued to set aside funds for its future decommissioning obligation. Information from the most recently completed independent site-specific Decommissioning Cost Estimate (**DCE**) report (prepared in 2014) is shown in the following table:

<b>Generator</b>	<b>Decommissioning Estimate 2014 \$'s</b>	<b>RPU Share 1.79%</b>	<b>Riverside's Decommissioning Trust Balance (June 30, 2015)</b>
UNIT 2	\$2,081 B	\$37.2 M	\$38.4 M
UNIT 3	<u>\$2,331 B</u>	<u>\$41.7 M</u>	<u>\$41.3 m</u>
	<u><b>\$4,412 B</b></u>	<u><b>\$78.9 M</b></u>	<u><b>\$79.7 M</b></u>
<b>Percent Funded</b>			<b>101%</b>

## **ACCESS TO DECOMMISSIONING FUNDS**

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 requirement for financial assurances and deposited the funds for such decommissioning under the terms of this agreement with US Bank. Under the terms of Decommissioning Trust Fund Agreement, the trust funds can only be used for decommissioning costs.

Beginning in 2016, the DCE will be updated annually throughout the decommissioning process and with each report, Riverside's funding levels will be reviewed.

Access to Riverside's decommissioning trust funds are regulated by NRC's regulations. Prior to accessing the funds, SCE, as operating agent, was required to file three reports with the NRC:

- 1) Post Shutdown Decommissioning Activities Report,
- 2) Irradiated Fuel Management Plan, and
- 3) Site specific DCE

These reports have now been filed and accepted by the NRC. Because the NRC's administrative requirements have been met, Riverside may now access its trust funds to pay its share of decommissioning costs.

Per the Decommissioning Trust Fund Agreement, prior to accessing its funds, the City Council must adopt the attached Resolution authorizing the commencement of SONGS decommissioning.

**FISCAL IMPACT:**

The most current independent estimate of Riverside's portion of SONGS decommissioning liability is approximately \$79.0 million. As of the June 30, 2015 audited financial statements, Riverside has approximately \$79.0 million in restricted trust funds. As such, no further ratepayer impacts are anticipated. Adopting the Resolution will allow the use of decommissioning trust funds to pay Riverside's decommissioning obligations using the trust funds previously set aside for this specific purpose.

Prepared by:	Girish Balachandran, Public Utilities General Manager
Certified as to availability of funds:	Brent A. Mason, Finance Director/Treasurer
Approved by:	John A. Russo, City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Attachments:

1. Resolution – SONGS Funding
2. Decommissioning Trust Fund Agreement with Schedule C
3. January 22, 2016 Board of Public Utilities meeting minutes