

Staff Report 77

LESSEE:

Southern California Edison Company, San Diego Gas and Electric Company, and the City of Riverside

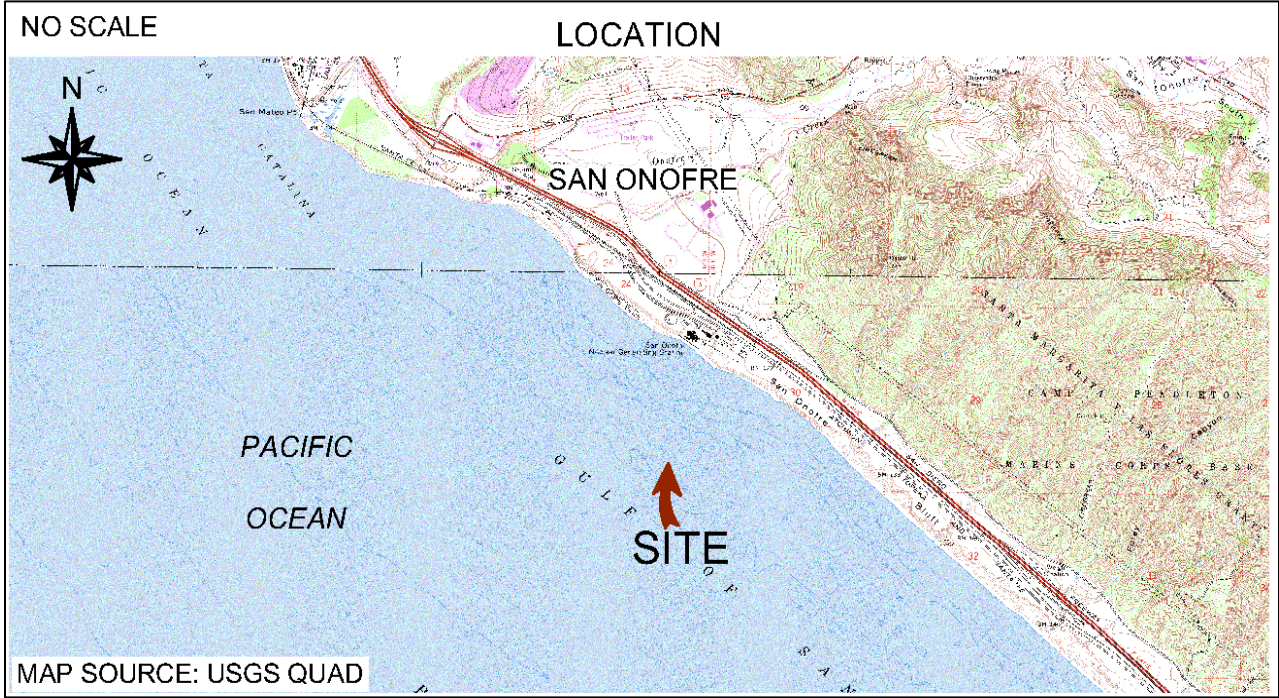
PROPOSED ACTION:

Revision of Rent and Bond.

AREA, LAND TYPE, AND LOCATION:

21.2 acres, more or less, of sovereign land in the Pacific Ocean, San Onofre, San Diego County (as shown in Figure 1).

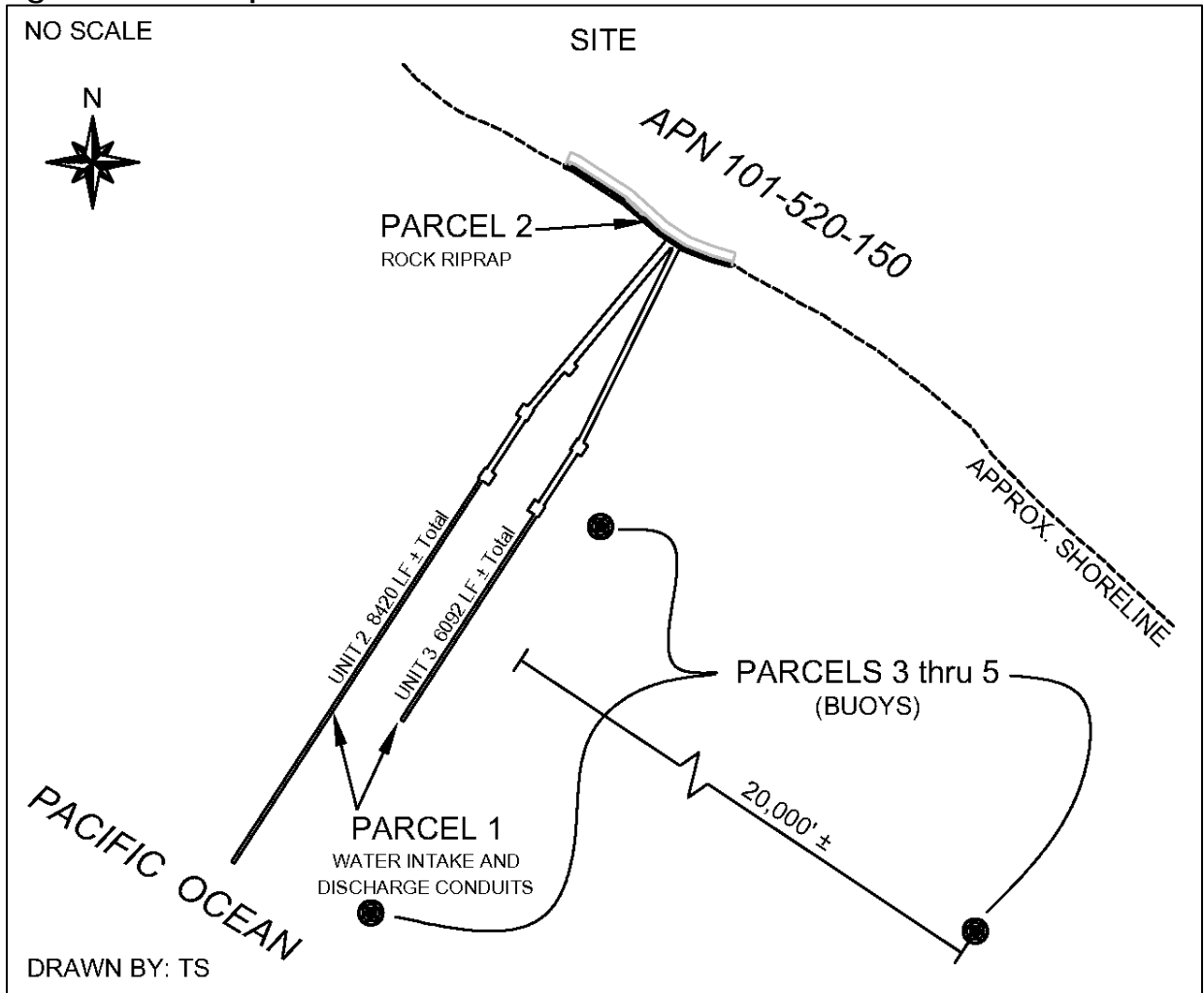
Figure 1. Location



AUTHORIZED USE:

Continued use and maintenance of two offshore intake and two offshore discharge conduits; fish return conduit; five marker buoys; and riprap (as shown in Figure 2).

Figure 2. Site Map



NOTE: This depiction of the lease premises is based on unverified information provided by the Applicant or other parties and is not a waiver or limitation of any State interest in the subject or any other property.

TERM:

16 years, beginning March 21, 2019.

CONSIDERATION:

The lease provides that Lessor may modify the rent and bond periodically during the lease term. Pursuant to this provision, staff has conducted a review of the base rent and bond under this lease and recommends that the base rent be revised from \$391,830 to \$661,669 per year, adjusted annually by the Consumer Price Index, and the bond revised from \$75,000,000 to \$82,000,000, effective March 21, 2024.

OTHER PERTINENT INFORMATION:

1. Approval or denial of the revision of rent and bond is a discretionary action by the Commission. Each time the Commission approves or rejects a revision of rent, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Lands as authorized by law. The Lessee has no right to a new lease or to renewal of any previous lease.
2. On March 21, 2019, the Commission approved the certification of a final Environmental Impact Report, State Clearinghouse No. 2016071025, termination of lease, and issuance of a 16-year General Lease – Industrial Use to the lessee ([Item 01, March 21, 2019](#)) for the San Onofre Nuclear Generating Station (SONGS) Units 2 and 3 for the use, maintenance, and decommissioning of offshore improvements. The lease will expire on March 20, 2035.
3. Under the terms of the current lease, the lessee holds a surety bond in the amount of \$75,000,000 and a Performance Guarantee. This amount is subject to increases over the lease term and serves the purpose of being able to mitigate costs that might otherwise be shouldered by the state, including where the state must take restorative actions with the leased premises upon lease termination or lease premises abandonment. A bond adjustment from \$75,000,000 to \$82,000,000 is currently appropriate with an increase in rent and consistent with estimated removal costs. Staff recommends increasing the bond to minimize the state's potential liability.
4. This action is consistent with the "Address the future risk and liabilities" in the "Meeting Evolving Public Trust Needs" Strategic Focus Area of the Commission's 2021-25 Strategic Plan.
5. Approving the revision of rent and bond is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

RECOMMENDED ACTION:

It is recommended that the Commission:

AUTHORIZATION:

Approve the revision of base rent for Lease PRC 6785 from \$391,830 to \$661,669 per year and a revision in the surety bond from \$75,000,000 to \$82,000,000, effective, March 21, 2024.