



Canadian Nuclear  
Safety Commission

Commission canadienne  
de sûreté nucléaire

# Record of Proceedings, Including Reasons for Decision

In the Matter of

**Applicant**

**New Brunswick Power Corporation**

**Subject**

**Request to Modify the Fund Agreements Listed  
in the Financial Guarantees for the Point  
Lepreau Nuclear Generating Station**

**Hearing Date**

**November 15, 2013**

## **RECORD OF PROCEEDINGS**

Applicant: New Brunswick Power Corporation

Address/Location: 515 King Street  
Fredericton, New Brunswick E3B 5G4

Purpose: Request to Modify the Fund Agreements Listed in the  
Financial Guarantees for the Point Lepreau Nuclear  
Generating Station

Application received: October 15, 2013

Date of hearing: November 15, 2013

Location: Canadian Nuclear Safety Commission (CNSC)  
280 Slater St., Ottawa, Ontario

Members present: M. Binder, Chair

Secretary: M. Leblanc  
Recording Secretary: D. Carrière

**Request:** Accepted

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## 1.0 INTRODUCTION

1. New Brunswick Power Corporation (NB Power) has submitted a request to the Canadian Nuclear Safety Commission<sup>1</sup> (CNSC), pursuant to subsection 24(5) of the *Nuclear Safety and Control Act*<sup>2</sup> (NSCA), for a modification to the Point Lepreau Nuclear Generating Station (PLNGS) Financial Guarantees. The PLNGS is located on the Lepreau Peninsula in New Brunswick. The current licence, PROL 17.02/2017, expires on June 30, 2017.
2. The Commission requires that NB Power establish and maintain acceptable financial guarantees for the waste management and ultimate decommissioning of its facility. According to NB Power's licence, financial guarantees must be in place and sufficient to cover the planned decommissioning activities, including in the event of a premature shutdown of the facility. CNSC Regulatory Guide G-206 provides guidance on the attributes of an acceptable financial guarantee in terms of liquidity, certainty and adequacy of value, and continuity. In June 2010, NB Power was required to review its preliminary decommissioning plan, its decommissioning cost estimates and its financial guarantee. The Commission accepted NB Power's revised cost estimates during the PLNGS licence renewal hearing held in the fall of 2011.
3. In October 2013, NB Power submitted a request to modify the investment asset mix related to the Point Lepreau Financial Guarantees, consisting of the Point Lepreau Used Fuel Management Fund Agreement and the Point Lepreau Decommissioning Fund Agreement. NB Power and the New Brunswick Government Department of Finance have determined that the current and historical investment strategies may not be the most appropriate strategy in a low interest rate or high inflation rate environment.
4. Amendments to Schedules "C" of both Fund Agreements is required if the Commission consents to NB Power's request for a modification of the investment mix.

### Issue

5. In considering the application, the Commission was required to decide:
  1. if the modified financial guarantees are acceptable for the decommissioning and waste management of NB Power's PLNGS located on the Lepreau Peninsula in New Brunswick; and
  2. if, with these modifications, NB Power still fulfills the requirements of Condition 16.1 of licence PROL 17.02/2017.

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<sup>1</sup> The *Canadian Nuclear Safety Commission* is referred to as the "CNSC" when referring to the organization and its staff in general, and as the "Commission" when referring to the tribunal component.

<sup>2</sup> Statutes of Canada (S.C.) 1997, chapter (c.) 9.

## Hearing

6. Pursuant to section 22 of the NSCA, the President of the Commission established a Panel of the Commission to review the application. The Commission, in making its decision, considered information presented for a hearing held on November 15, 2013 in Ottawa, Ontario. During the hearing, the Commission considered written submissions from NB Power (CMD 13-H106.1) and CNSC staff (CMD 13-H106).

## **2.0 DECISION**

7. Based on its consideration of the matter, as described in more detail in the following sections of this *Record of Proceedings*, the Commission concludes that NB Power has met the conditions of subsection 24(5) of the NSCA. Therefore,

the Commission, pursuant to section 24 of the *Nuclear Safety and Control Act*, accepts the requested modifications to the funds agreements listed in the financial guarantees for the New Brunswick Power Corporation Point Lepreau Nuclear Generating Station.

## **3.0 ISSUES AND COMMISSION FINDINGS**

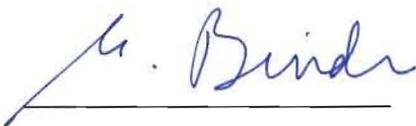
8. In their request to amend Schedule “C” of the Point Lepreau Used Fuel Management Fund Agreement and the Point Lepreau Decommissioning Fund Agreement investment strategy, NB Power stated that they engaged Morneau Shepell to assess the investment strategies. NB Power stated that Morneau Shepell presented a summary of their review to NB Power’s Audit Committee in February 2012, which identified that the optimal asset mix is expected to provide better inflation protection while producing lower expected future contributions and improving stability contributions.
9. NB Power stated that, following a review by Morneau Shepell, New Brunswick Investment Management Corporation (NBIMC) was chosen as the investment manager of the funds and to assist in the implementation and transitioning process to the proposed diversified asset mix, based on their performance, management, overall company structure, and their ability to manage the proposed funds.
10. In establishing the proposed strategy, NB Power stated that they reviewed the investment strategy in place at Ontario Power Generation (OPG) and that NBIMC completed an assessment of the strategy. NB Power stated that the Board of Directors of NB Power and the Minister of Finance for the Province of New Brunswick have both approved the change in target mix, the changes in the contribution trigger, rebate trigger and surplus investment strategy, and the retention of NBIMC for the provision of Investment Management Services.

requirements will be immediately covered by the Province to ensure that the financial assurance requirements are met.

11. CNSC staff stated that they reviewed NB Power's application request and have found that NB Power has met the requirements of the NSCA and the *Regulations* made under the *Act* for this proposal. CNSC staff stated that there are no legal or financial concerns arising from the modifications proposed by NB Power. CNSC staff noted that the licensee's request is administrative in nature and does not change the legal requirements contained within the current licence.
12. CNSC staff reviewed the asset mix currently accepted in Schedule "C" of the current Fund Agreements with the asset mix recommended by Morneau Shepell. CNSC staff confirmed that they are satisfied with the proposed triggers and other guarantees offered in case the Funds asset valuation falls below 100% of the CNSC financial assurance requirements. CNSC staff added that the CNSC has the authority to trigger payment from other financial guarantee vehicles in a timely manner, should it be required.
13. CNSC staff also stated that they have no concern with the relationship between NBIMC and NB Power since the Minister of Finance for the Province of New Brunswick will remain the Administrator of the funds.
14. CNSC staff intends on modifying the PLNGS Licence Conditions Handbook (LCH) to include a requirement, under Section 16.1, to submit an annual report to the Commission confirming that the financial guarantees remain valid, in effect, and sufficient to meet the decommissioning needs.

#### 4.0 CONCLUSION

15. The Commission has considered the information and submissions from NB Power and CNSC staff and is satisfied that the requested modifications are administrative in nature and will not adversely impact the safety of the PLNGS operations.
16. The Commission is satisfied that the CNSC has full access to 100% of the financial assurance requirements.



Michael Binder  
President,  
Canadian Nuclear Safety Commission

NOV 15 2013

Date