



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

(FSME-10-100, December, Other, Power Reactors)

December 28, 2010

ALL STATE LIAISON OFFICERS
PUBLIC UTILITY COMMISSIONERS IN NUCLEAR POWER PLANT STATES

NOTICE OF WORKSHOP WITH STAKEHOLDERS TO SOLICIT COMMENTS ON ISSUES
RELATED TO DECOMMISSIONING FUNDING ASSURANCE FOR POWER REACTORS
(FSME-10-100)

Purpose: To inform State contacts about an opportunity to participate in a public workshop and to provide comments on a number of reactor decommissioning funding assurance issues under consideration by the U.S. Nuclear Regulatory Commission (NRC).^{*} The workshop is scheduled from 8:00 a.m. to 4:30 p.m. on March 2, 2011, at NRC Headquarters in Rockville, Maryland. More specifically, the workshop will cover the following areas:

1. The NRC seeks stakeholder comments on allowing power reactor licensees to use a discounted parent company guarantee to satisfy the NRC's financial assurance requirements. The comments will be used to prepare an Option Paper for the Commission
2. The NRC seeks stakeholder comments on current issues regarding decommissioning financial assurance for power reactors, such as:
 - a. Potential changes to 10 CFR 50.75(c) minimum funding assurance amount;
 - b. Proposed changes to RG 1.159, "Assuring the Availability of Funds for Decommissioning Nuclear Reactors;"
 - c. Potential changes to NUREG-1307, "Report on Waste Burial Charges;"
 - d. Draft Regulatory Information Summary (RIS) 2010-XXXX, 10 CFR 50.75, "Reporting for Decommissioning Fund Status Reports."
 - e. Opportunity for the following stakeholders to present concerns or comments on power reactor decommissioning funding assurance: States, Federal Agencies, Non-Government Organizations, Industry, Investment Advisors, Consultants, Interested Members of the Public
3. The NRC seeks comments on using Monte Carlo or other probability/statistical techniques to evaluate the risk of shortfalls in decommissioning funding.

^{*}This information request has been approved by OMB 3150-0163, expiration 01/31/2013. The estimated burden per response to comply with this voluntary collection is approximately 8 hours. Send comments regarding the burden estimate to the Records and FOIA/Privacy Services Branch (T-5F52), U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001, or by Internet e-mail to infocollects@nrc.gov, and to the Desk Officer, Office of Information and Regulatory Affairs, NEOB-10202 (3150-0163), Office of Management and Budget, Washington, DC 20503. If a means used to impose an information collection does not display a currently valid OMB control number, the NRC may not conduct or sponsor, and a person is not required to respond to, the information collection.

Background: Power reactor licensees are required to report on the status of their decommissioning fund at least every two years. The reports received in March 2009 indicated that 27 operating reactors had shortfalls in financial assurance. The deficits (or shortfalls) ranged from \$500,000 to \$199 million per reactor.

In June 2009, the NRC issued for comment Draft Regulatory Guide-1229 (Proposed Revision 2 of Regulatory Guide 1.159, dated October 2003), "Assuring the Availability of Funds for Decommissioning Nuclear Reactors" (Agencywide Documents Access and Management System (ADAMS) Accession No. ML091420223). The Draft Guide stated that merchant plant licensees should correct a shortfall in decommissioning funding assurance within a year. It also stated that utility licensees should address a shortfall in every rate case. The Nuclear Energy Institute (NEI) submitted comments opposing the proposed changes (Accession No. ML092930272). NEI stated that requiring a licensee to correct a shortfall within one year was an undue burden. NEI also stated that NRC should allow a licensee to apply net present value techniques to provide a discounted parent company guarantee (PCG) as financial assurance. Four industry stakeholders submitted comments opposing the changes. No comments were received supporting the changes.

In June 2010, the NRC responded to the comments in SECY-10-0084, "Explanation of Changes to Revision 2 to Regulatory Guide 1.159, Assuring the Availability of Funds for Decommissioning Nuclear Reactors" (Accession No. ML101540500). NRC found that correcting the shortfalls at the 27 reactors would cost between \$0 and \$27 million, after-tax, if a guarantee method was used. The zero cost was for a full-value PCG.

In response to SECY-10-0084, NEI provided additional comments in August 2010 (Accession No. ML103220332). NEI repeated its earlier comments in opposition to the changes.

On October 25, 2010, the Commission issued SRM-SECY-10-0084 (Accession No. ML 102980565). For a merchant plant licensee, the Commission approved a two year period to correct a shortfall after it submits its biennial fund status report. For a utility licensee, the Commission approved a 5 year period to correct a shortfall. The Commission also approved a change that a utility licensee should notify its rate-regulatory authority when a shortfall occurs, and to ask for review within a year. The Commission directed the staff to conduct a workshop with stakeholders and experts to prepare an Option Paper on the use of a discounted PCG using net present value techniques.

DG-1229, Revision 1 will be issued for comment with the approved changes. The NRC will also issue for comment a RIS with guidance on preparing the decommissioning fund status report required by 10 CFR 50.75(f)(1) and (2).

In other matters, the NRC is re-evaluating the reactor decommissioning cost estimate formula and escalation factors. Pacific Northwest National Laboratories (PNNL) is evaluating the cost formula of 10 CFR 50.75(c)(1). Representatives of PNNL will discuss their progress. The NRC is reconsidering the cost escalation formula of 10 CFR 50.75(c)(2), which is updated every two years in NUREG-1307. The range of decommissioning cost for the reference plant is \$477 million to \$824 million in 2010. The NRC requires licensees to meet the low end of the range. The low end of the range is based on potential cost savings that may be available by using waste processing techniques on 100% of the radioactive wastes generated by a

decommissioning project. However, actual licensee plans indicate that 100% processing of waste is not likely to be achieved. The NRC is evaluating a change in NUREG-1307 to recognize that data. The likely result would be to increase the low end of the range in the decommissioning cost estimate.

Discussion: Stakeholders will be able to participate remotely in the workshop through Webinar and teleconferencing. The NRC is soliciting offers to make a presentation at the workshop. Stakeholders with an interest in making a presentation on these issues should contact the NRC individual named below. Depending on the level of interest, stakeholders may use their time to hold a panel discussion. Stakeholders should contact the individual named below to arrange for presentations or panel discussions. Due to time limitations at the meeting, it may not be possible to accommodate all requests to make a presentation, and it may be necessary to set time limits on presentations. In addition, all stakeholders are encouraged to provide written comments. **Presentations should be submitted in final form by February 23, 2011. Written comments received by February 23, 2011 will be placed in ADAMS in time for review by workshop attendees. Written comments should be received no later than April 4, 2011.** Comments may be sent to, U. S. Nuclear Regulatory Commission, One White Flint North, 11555 Rockville Pike, Mail Stop O-12-E02, Rockville, Maryland 20852-2738 or e-mailed to NPVWorkshop@nrc.gov. A brief listing of comments sought is enclosed. More detail on the background, issues, and a list of relevant documents are available through the NRC's Public Meeting Schedule at <http://www.nrc.gov/public-involve/public-meetings/index.cfm>.

If you have any questions about this correspondence, please contact the appropriate individual named below:

WORKSHOP PRESENTATION:

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Division of Intergovernmental Liaison
and Rulemaking
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Enclosure:
List of Comments Sought by NRC

LIST OF COMMENTS SOUGHT BY NRC

Comments Sought on Net Present Value Discounting of Parent Company Guarantee (PCG)

- Comments on how to evaluate request for discounted PCG under 10 CFR 50.12 (exemptions) or 50.75(e)(1)(vi) (licensee specific evaluation of equivalency)
- Acceptability of discounted PCG
- Whether conditions are needed to achieve equivalency to existing methods
- Cost-benefit
 - Identify cost savings from using discounted PCG
- Level of public participation in the evaluation process
- Risks
 - Non-payment due to financial stress
 - Reduction of recovery in bankruptcy
 - Delay in starting of decommissioning
 - Delay after start of decommissioning
 - Risk of discounted PCG compared to full-value PCG
- Incentive to delay or cease payments into trust fund due to discounted PCG
- Potential conditions on use of discounted PCG
 - Time limits on discounted PCG – allow up to time of permanent shutdown, then require full-value PCG afterward
 - Security for discounted PCG
 - Cash reserve
 - Collateral
 - Annual payments into trust fund until discounted PCG no longer used
 - Greater degree of conditions for merchant plant licensee compared to utility licensees
 - Comments on the effect of the amendment to Appendix A to 10 CFR Part 30, as described in SECY-09-0042, “Decommissioning Planning Rule,” (ML090490280), may have on a discounted PCG, once the rule becomes effective.

Comments Sought on Potential Changes to Cost Formula in 10 CFR 50.75(c)

- Cost drivers and escalation factors
- Property taxes and soil/groundwater contamination

Comments Sought on DG-1 229, Revision 1, “Assuring the Availability of Funds for Decommissioning Nuclear Reactors”

- Revised time guideline for merchant plant to correct shortfall
- Added good faith effort for utility plant to seek additional funds
- Definitions of decommissioning funding assurance and shortfall

Comments Sought on Potential Changes to NUREG-1307, "Report on Waste Burial Charges"

- Cost range for reference plant \$477 million to \$824 million in 2010
- Low end of range based on 100% processing of waste
- Actual licensee plans indicate that 100% processing of waste not likely to be achieved

Comments Sought on RIS-2010-XXX, "Reporting for Decommissioning Fund Status Reports"

- Instructions on preparing report required by 10 CFR 50.75(f)(1) or (2)

Stakeholder Concerns

- Stakeholders are invited to offer to make presentation
- Time limitations may limit the number of offers that can be accepted
- Written comments are encouraged

Comments on Use of Monte Carlo Probability Techniques to Evaluate Risk of Funding Shortfall

- Monte Carlo techniques can provide insight to the probability that a trust fund will or will not meet the funding goals.
- Monte Carlo techniques have been used by the Government Accountability Office to estimate the probability that a government trust fund will reach its funding goals.
- The U.S. Treasury used Monte Carlo techniques in the stress tests of banks following the market downturn of 2008.