

Letter Report

**Financial Qualifications, Antitrust, Indemnity, and
Decommissioning Funding Assurance Programs**

**Quarterly Report for the Period from
October 29, 1998 through January 28, 1999**

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Contents

1.0	INTRODUCTION	1
2.0	TASK ORDER 1, “PROJECT MANAGEMENT”	2
3.0	TASK ORDER 2, “NUCLEAR POWER PLANT OPERATING COSTS AND EXPERIENCE SUMMARIES”	3
4.0	TASK ORDER 3, “NRC ANTITRUST LICENSING ACTIONS, 1978-1996”	3
5.0	TASK ORDER 4, “DEVELOPMENT OF ADDITIONAL SCREENING CRITERIA FOR DECOMMISSIONING FUNDING ASSURANCE AND FINANCIAL QUALIFICATIONS”	3
6.0	TASK ORDER 5, “REVIEW OF STATE RESTRUCTURING PROPOSALS”	4
7.0	PLANS FOR THE NEXT QUARTER	5

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1.0 INTRODUCTION

Purpose of the Quarterly Report

Task Order 1 of JCN J2436, “Financial Qualifications, Antitrust, Indemnity, and Decommissioning Funding Assurance Programs,” established a project management function at the Oak Ridge National Laboratory (ORNL) to direct and control the various activities tasked to ORNL under this JCN. The task order requires ORNL to submit (quarterly and 10 days prior to periodic NRC management meetings) a “concise letter report (interpreted to be an ORNL technical letter report) summarizing project decisions made during the recent quarter and commitments made.”

ORNL activities tasked by NRC under JCN J2436 commenced at the beginning of the May 1997 business month (April 28, 1997). The initial ORNL project management quarterly reports covered the periods from April 28—July 28, 1997, July 29—October 28, 1997, October 29, 1997—January 28, 1998, January 29—April 28, 1998, April 29—July 28, 1998, and July 29—October 28, 1998, respectively. This report discusses ORNL activities under JCN J2436 for the period from October 29, 1998, through January 28, 1999. The information provided in this report was obtained primarily from the ORNL Monthly Letter Status Reports (MLSRs) on JCN J2436 and correspondence (formal letters and electronic mail) exchanged between ORNL personnel assigned to the project and the NRC Technical Monitor for the individual task orders.

Project Background

The electric power industry is undergoing a fundamental restructuring to increase competition and lower the cost of electricity to the consumer through market-set rates for generated electricity, including nuclear-generated power. State Public Utility Commissions (PUCs) and the Federal Energy Regulatory Commission (FERC) have initiated programs that will deregulate electricity rates and lead to a functional unbundling of generation, transmission, and distribution services that have traditionally been offered by electric utility companies. The PUCs and FERC are no longer likely to engage in traditional cost-of-service rate regulation; this applies particularly to the generation of electricity, for which electric utilities, including power reactor licensees, were virtually guaranteed recovery of costs and return on any prudently incurred investment. NRC predicated its financial qualifications and decommissioning funding assurance regulations for electric utility power reactor licensees on this unique rate regulatory structure.

NRC plans to reevaluate its programs for financial qualifications, antitrust evaluation, indemnity, and decommissioning funding assurance for power reactor licensees to determine whether additional measures of financial qualifications and methods of decommissioning funding assurance are feasible and appropriate. As such, the overall objective of this project is to provide assistance to the NRC in regulatory and licensing activities related to the financial qualifications, antitrust, indemnity, and decommissioning funding assurance for nuclear power plants. The specific objectives are to provide the multidisciplinary managerial and technical expertise necessary to assist NRC in its licensing reviews for operating reactors, in updating regulatory guidance, and in evaluating programmatic initiatives. This technical assistance is needed on an ongoing basis.

2.0 TASK ORDER 1, “PROJECT MANAGEMENT”

Task Order Objective

The objective of this task order is to provide the multi-disciplinary managerial and technical expertise necessary to assist NRC in its licensing reviews for operating reactors, in updating regulatory guidance, and in evaluating programmatic initiatives. This technical assistance is needed on an on-going basis. This task order serves to collect costs associated with managing the other task orders under JCN J2436.

Project Decisions and Commitments Made During the Past Quarter

Preparation of the project Monthly Letter Status Reports (MLSR) is a required activity under this task order and NRC Management Directive 11.7. During this reporting period, the October 1998, November 1998, and December 1998 MLSRs for JCN J2436 were prepared and issued to the NRC.

The quarterly report (ORNL/NRC/LTR-98/27) for JCN J2436 covering activities for the period from July 29—October 28, 1998, was prepared and issued on November 25, 1998.

The following information describes the communications (i.e., formal correspondence, informal discussions, and electronic mail messages) that were maintained with the NRC Technical Monitor for the different J2436 task orders:

- C ORNL activities in support of Task Order 2 (Nuclear Power Plant Operating Costs and Experience Summaries) and Task Order 3 (NRC Antitrust Licensing Actions, 1978-1996) are considered to be complete as discussed later in this report.
- C ORNL activities on Task Order 4 (Development of Additional Screening Criteria for Decommissioning Funding Assurance and Financial Qualifications) and Task Order 5 (Review of State Restructuring Proposals) continued during this quarterly review period. ORNL work in support of these task orders is discussed later in this report.
- C The ORNL Project Manager provided technical support to the Principal Investigators for Task Orders 4 and 5 in the following areas:
 - A. Task Order 4—Completing the preparation and transmittal of the final task order deliverable (revised ORNL letter report) which incorporates comments from the NRC Technical Monitor
 - B. Task Order 5—Assessing the nature of apparent inaccurate charges to the task order account, discussing the status of state electric industry deregulation initiatives with the NRC Technical Monitor and cognizant ORNL staff, and preparing responses (December 16, 1998, and January 8, 1999) to a request for proposal from the NRC for analyzing electric industry deregulation initiatives in Connecticut and Virginia.

3.0 TASK ORDER 2, “NUCLEAR POWER PLANT OPERATING COSTS AND EXPERIENCE SUMMARIES”

Task Order Objective

The objective of this task order is to provide updated summaries of U.S. nuclear power plant operating costs and operational events. The information provided will assist NRC staff in developing an empirical basis for evaluating the relationship between nuclear power plant operations and maintenance (O&M) costs and safety. Additionally, ORNL will provide expertise to NRC for the organization and analysis of data associated with operating experience of nuclear power plants.

Project Decisions and Commitments Made During the Past Quarter

The final version of NUREG/CR-6577 (ORNL/TM-13494), *U.S. Nuclear Power Plant Operating Cost and Experience Summaries*, was transmitted to the NRC Technical Monitor in February 1998. Subsequently, the report was published by NRC. As such, ORNL activities have been completed, and the task order is ready for closure. The balance of funds allocated for Task Order 2 is \$1,377.

4.0 TASK ORDER 3, “NRC ANTITRUST LICENSING ACTIONS, 1978-1996”

Task Order Objective

The objectives of this task order are to update the information contained in letter report ORNL/NRC/LTR-96/33 with any antitrust licensing actions that may have been issued for the remainder of 1996 since the letter report was prepared, and to upgrade the letter report into a camera-ready NUREG/CR document.

Project Decisions and Commitments Made During the Past Quarter

The final version of NUREG/CR-6558 (ORNL/TM-13452), *NRC Antitrust Licensing Actions, 1978-1996*, was submitted to the NRC in August 1997. Subsequently, the report was published by the NRC. As such, ORNL activities have been completed, and the task order is ready for closure. The balance of funds allocated for Task Order 3 is \$2,351.

5.0 TASK ORDER 4, “DEVELOPMENT OF ADDITIONAL SCREENING CRITERIA FOR DECOMMISSIONING FUNDING ASSURANCE AND FINANCIAL QUALIFICATIONS”

Task Order Objective

The objective of this task order is to evaluate financial-related criteria and provide recommendations (based on this analysis) for use by the NRC in evaluating parent-company and self guarantees for decommissioning funding assurance and in financial qualification reviews.

Project Decisions and Commitments Made During the Past Quarter

The final Task Order 4 milestone was for ORNL to conduct a study and provide recommendations for any changes to financial qualifications criteria contained in NRC regulations in 10 CFR 50.33(f) and Appendix C to 10 CFR Part 50. Subsequently, an ORNL letter report (*Development of Additional Screening Criteria for Financial Qualifications*, ORNL/NRC/LTR-98/23, October 2, 1998) documenting this study was completed and submitted to the NRC on October 2, 1998.

On October 6, 1998, comments on ORNL/NRC/LTR-98/23 were received (via electronic mail) from the NRC Technical Monitor. Based on ORNL's understanding of the comments, a cost estimate for addressing the comments and revising the letter report was prepared and submitted to NRC. However, on October 26, 1998, the NRC Technical Monitor, in a conference call with the ORNL Project Manager and Principal Investigator, clarified the nature of his comments. Following this call and receipt of a Request for Proposal from NRC for revising the letter report, ORNL submitted a revised cost estimate on October 28, 1998, for incorporating the Technical Monitor's comments in the letter report.

On November 9, 1998, the NRC authorized ORNL to revise letter report ORNL/NRC/LTR-98/23 to address comments provided by the NRC Technical Monitor. Subsequently, the ORNL letter report was revised (ORNL/NRC/LTR-98/23/R1, same title, November 30, 1998) and transmitted to the NRC on November 30, 1998.

All technical work associated with this task order has been completed. As of the close of this reporting period (January 28, 1999), an issue concerning apparent inaccurate charges to the account for Task Order 4 remained open. However, this discrepancy was resolved in February, and closure of the task order account was requested. The balance of funds allocated for Task Order 4 is approximately \$300.

6.0 TASK ORDER 5, "REVIEW OF STATE RESTRUCTURING PROPOSALS"

Task Order Objective

The objective of this task order is to provide an independent, comprehensive assessment of State restructuring initiatives, including State legislation, State Public Utility Commission (PUC) actions, and other initiatives that could affect traditional cost-of-service regulation of NRC power reactor licensees.

Project Decisions and Commitments Made During the Past Quarter

During this period, distribution of the ORNL letter report (ORNL/NRC/LTR-98/19, *Review of State Restructuring Proposals*, September 8, 1998) was completed.

7.0 PLANS FOR THE NEXT QUARTER

Task Order 1 - Project management activities for the next quarter (January 29, 1998—April 28, 1999) are expected to focus on (i) continued development of internal project management documentation, (ii) preparation of the project MLSR and quarterly report, (iii) completion of ORNL activities for Task Orders 4 and 5, and (iv) discussion with NRC personnel on FY 1999 tasking areas under JCN J2436.

Task Order 2 - Activities for this task order have been completed, and the task order is ready for closure.

Task Order 3 - Activities for this task order have been completed, and the task order is ready for closure.

Task Orders 4 - All technical work associated with this task order has been completed, and the task order is ready for closure.

Task Order 5 - All technical work associated with this task order has been completed and, pending resolution of issues related the nature of charges to the ORNL work account, the task order will be ready for closure.

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