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SUBJECT: Forwards response to request for addl info on
decommissioning funding.

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Serial PE&RAS-97-059
10CFR50.75
August 1, 1997

United States Nuclear Regulatory Commission
ATTENTION: Document Control Desk
Washington, DC 20555

BRUNSWICK STEAM ELECTRIC PLANT, UNITS NOS. 1 AND 2
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DOCKET NO. 50-400 / LICENSE NO. DPR-63

H. B. ROBINSON STEAM ELECTRIC PLANT, UNIT NO. 2
DOCKET NO. 50-261 / LICENSE NO. DPR-23

Subject: Response to Request for Additional Information on Decommissioning Funding

Dear Sir or Madam:

Carolina Power & Light Company (CP&L) letter PE&RAS 96-063, dated September 30, 1996, updated the NRC on the status of CP&L's estimated decommissioning funding for the above nuclear units. The NRC requested additional information on three items by letter dated April 7, 1997, which was signed by Mr. Mark Reinhart. CP&L's response to the requested information is included as an attachment to this letter.

Should you have any questions regarding this matter, please contact me at (919) 546-6901.

Sincerely,

Donna B. Alexander

D.B. Alexander, Manager
Performance Evaluation & Regulatory Affairs

PAO
Attachment

cc: Mr. L.A. Reyes, Regional Administrator, Region II
Ms. Jacqueline E. Silber, Deputy Director, Corporate Planning and Management
Mr. J.B. Brady, USNRC Resident Inspector - HNP, Unit 1
Mr. B.B. Desai, USNRC Resident Inspector - HBRSEP, Unit 2
Chair J.A. Sanford - North Carolina Utilities Commission
Mr. V.L. Rooney, USNRC Project Manager - HNP, Unit 1
Ms. B.L. Mozafari, USNRC Project Manager - HBRSEP, Unit 2
Mr. C.A. Patterson, USNRC Resident Inspector - BSEP, Units 1 and 2
Mr. D.C. Trimble, Jr., USNRC Project Manager - BSEP, Units 1 and 2
Mr. R.S. Wood, USNRC

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Response to Request for Additional Information on Decommissioning Funding

1. Requested Information:

From Page 2 of the April 7, 1997 NRC letter, first paragraph, last sentence:

"...explain the basis for your statement '... CP&L will not meet the current minimum funding requirements of 10CFR50.75...' and any regulatory relief being sought as a result of this lack of compliance."

Response:

The clarification provided by Mr. Reinhart's April 7, 1997 letter regarding proper implementation of 10CFR50.75 and additional CP&L evaluation indicate that CP&L is in compliance with this regulation. Thus no regulatory relief is necessary. However, CP&L does desire to update information provided by the original Decommissioning Financial Assurance Certification Reports of July 26, 1990 (references (a), (b), and (c)).

Discussion:

CP&L began accumulating funds in a decommissioning external sinking trust fund in 1991. CP&L is funding to a level which approximates the 1993 cost determined by an independent site specific decommissioning study conducted by TLG Services, Inc. escalated to current year dollars. In 1996 dollars, CP&L's share of the cost determined by the TLG site specific study was \$1.12 billion. CP&L is funding to a level of \$1.11 billion in 1996 dollars. CP&L's share of the 10CFR50.75(c)(2) minimum required amount is \$1.37 billion in 1996 dollars. CP&L plans to begin additional site specific decommissioning studies in 1998.

In references (a), (b), and (c) CP&L identified an intention to begin funding the entire minimum financial assurance amount by January 1, 1996. However, recent events have impaired CP&L's ability to accomplish this. Specifically, the Waste Burial Charge (B) of the 10CFR50.75(c)(2) decommissioning adjustment factor was significantly increased by revisions 4 & 5 of NUREG 1307 in 1994 and 1995. These increases resulted in an approximate doubling of the required funds in 1996 dollars.

10CFR50.75 does not specify the time frame in which adjustments must be made to annual funding amounts for the decommissioning trust fund. In the statements of consideration for 10CFR50.75, it states: *"The frequency for these updates is not included in the rule but would be included in the regulatory guidance under consideration. This will provide more flexibility in dealing with different types of licensees and financial considerations. It is expected that regulatory guidance will indicate the frequency of adjusting for cost estimate and funding levels."* Accordingly, Reg. Guide 1.159, "Assuring the Availability of Funds for Decommissioning Nuclear Reactors," provides licensees flexibility in the time frame for adjusting the annual amount of funds being collected. Specifically, paragraph 2.2.5 states *"... Arithmetic precision is not required for fund accumulation rates [However, if], during the course of collecting funds, ... a licensee is significantly behind in collections, increased contributions should be used to*

Response to Request for Additional Information on Decommissioning Funding

make up the deficit. A reasonable time may be used to make up any deficit, consistent with good-faith efforts to obtain appropriate rate relief...."

Paragraph 2.1.5 states that adjustments to the annual amount of funds being deposited "... in any event, should be made at least once every 5 years...." CP&L has not exceeded the 5 year time frame of Reg. Guide 1.159 for adjusting the annual amount of funds being deposited. CP&L has annually adjusted the cost estimate calculation submitted by references (a), (b), and (c).

CP&L presently intends to either develop and implement a funding strategy which approximates the 10CFR50.75(c)(2) funding requirement or seek an exemption to 10CFR50.75 in accordance with the guidance of Reg. Guide 1.159, paragraph 1.1.1, prior to the year 2001.

2. Requested Information:

From page 1 of the April 7, 1997 NRC letter, second paragraph, last sentence in reference to CP&L's statements regarding cost and funding projections:

"However, because it is not clear from your letter how you derived your projections, we ask that you submit additional information to support your projections and conclusions."

Response:

In the September 30, 1996 letter, CP&L erroneously escalated the 10CFR50.75(c)(2) funding requirement for future inflation to current license expiration dates which are 2010 for Robinson, 2014 for Brunswick Unit 2, 2016 for Brunswick Unit 1 and 2026 for Shearon Harris. The \$3.19 billion estimate was derived using 10CFR50.75(c)(2) Escalation Formula with NUREG-1307 Rev. 5 burial waste charge (B), the Bureau of Labor Statistics Data Employment Cost Index for the Southern Region (L) and the Producer Price Index for industrial electric power (E) and then escalated from December 31, 1995 to the date of license expiration for each nuclear unit. The CP&L site-specific estimate of \$2.6 billion was derived using the 1993 TLG site-specific estimates escalated from December 31, 1993 to license expiration date for each unit. Both the \$3.19 Billion and \$2.6 Billion figures were derived using a 4% cost escalation rate and represent a summation of the decommissioning cost for four units but not in a common year dollar basis.

The figures in Response (1) above are represented in 1996 dollars, assumed an after tax earnings rate of 8.5% and an assumed cost escalation rate of 4%. These assumptions were reported in CP&L's 1996 Annual Report. The funding level of \$1.11 billion assumes an approximate \$175 million current market value for the external trust fund and an annual deposit currently approximating \$31 million.

Response to Request for Additional Information on Decommissioning Funding

3. Requested Information:

From page 2 of the April 7, 1997 NRC Letter, first paragraph, second sentence:

"Please explain the effect upon your projected decommissioning funding resulting from your determination not to file such rate requests."

Response:

The decision not to request rate increases has not adversely impacted CP&L's accumulation of adequate decommission funding. CP&L is depositing, in the external fund, the full amount currently being recovered through rates. Based on the 1993 site specific estimates prepared by TLG, using an assumed after-tax earnings rate of 8.5% and an assumed cost escalation of 4%, current levels of rate recovery are adequate to provide for decommissioning of the Company's nuclear facilities.

REFERENCES:

- (a) CP&L Letter Serial NLS-90-137, dated July 26, 1990
- (b) CP&L Letter Serial NLS-90-138, dated July 26, 1990
- (c) CP&L Letter Serial NLS-90-139, dated July 26, 1990