

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

**Title: BRIEFING BY NARUC ON UTILITY
DEREGULATION - PUBLIC MEETING**

Location: Rockville, Maryland

Date: Wednesday, February 28, 1996

Pages: 1 - 47

SECRETARIAT RECORD COPY

ANN RILEY & ASSOCIATES, LTD.

1250 I St., N.W., Suite 300
Washington, D.C. 20005
(202) 842-0034

DISCLAIMER

This is an unofficial transcript of a meeting of the United States Nuclear Regulatory Commission held on February 28, 1996 in the Commission's office at One White Flint North, Rockville, Maryland. The meeting was open to public attendance and observation. This transcript has not been reviewed, corrected or edited, and it may contain inaccuracies.

The transcript is intended solely for general informational purposes. As provided by 10 CFR 9.103, it is not part of the formal or informal record of decision of the matters discussed. Expressions of opinion in this transcript do not necessarily reflect final determination or beliefs. No pleading or other paper may be filed with the Commission in any proceeding as the result of, or addressed to, any statement or argument contained herein, except as the Commission may authorize.

1 UNITED STATES OF AMERICA
2 NUCLEAR REGULATORY COMMISSION

3 - - -

4 BRIEFING BY NARUC ON UTILITY DEREGULATION

5 - - -

6 PUBLIC MEETING

7
8 Nuclear Regulatory Commission
9 One White Flint North
10 Rockville, Maryland
11 Wednesday, February 28, 1996
12

13 The Commission met in open session, pursuant to
14 notice, at 9:30 a.m., Shirley A. Jackson, Chairman,
15 presiding.
16

17 COMMISSIONERS PRESENT:

18 SHIRLEY A. JACKSON, Chairman of the Commission
19 KENNETH C. ROGERS, Commissioner
20 GRETA J. DICUS, Commissioner
21
22
23
24
25

ANN RILEY & ASSOCIATES, LTD.
Court Reporters
1250 I Street, N.W., Suite 300
Washington, D.C. 20005
(202) 842-0034

1 STAFF PRESENT:

2 JOHN C. HOYLE, Secretary of the Commission

3 MARTIN MALSCH, Deputy General Counsel

4 PRESENTERS:

5 CHERYL L. PARRINO, NARUC President and

6 Chairman, Wisconsin Public Service Commission

7 ROBERT W. GEE, Chair, NARUC Committee on Electricity

8 and Commissioner, Texas Public Utility Commission

9 EMMITT J. GEORGE, JR., Chair, NARUC Subcommittee on

10 Nuclear Issues - Waste Disposal, and Commissioner,

11 Iowa Utilities Board

12 DUNCAN E. KINCHELOE, Vice Chair, NARUC Committee on

13 Electricity and Commissioner, Missouri Public

14 Service Commission

15 SUSAN F. CLARK, Vice Chair, NARUC Subcommittee on

16 Environment - Efficiency and Commissioner,

17 Missouri Public Service Commission

18 WARREN D. ARTHUR, IV, Member, NARUC Committee on

19 Electricity and President, South Carolina Public

20 Service Commission

21 DAVID ZIEGNER, Member, NARUC Committee on Electricity

22 and Commissioner, Indiana Public Utilities

23 Commission

24 PAUL RODGERS, NARUC Administrative Director and General

25 Counsel

ANN RILEY & ASSOCIATES, LTD.
Court Reporters
1250 I Street, N.W., Suite 300
Washington, D.C. 20005
(202) 842-0034

P R O C E E D I N G S

1
2 CHAIRMAN JACKSON: Good morning, ladies and
3 gentlemen. I would like to welcome Chairman Cheryl Parrino,
4 President of the National Association of Regulatory Utility
5 Commissioners; Commissioner Robert Gee, whom I have met
6 before, Chair of the NARUC Committee on Electricity;
7 Commissioner Emmitt George, Chair of the NARUC Subcommittee
8 on Nuclear Issues and Waste Disposal; as well as all of the
9 other representatives of NARUC at the table and present
10 today.

11 The topic of today's Commission briefing, Electric
12 Utility Economic Deregulation, is important to the
13 Commission because of its implications for maintaining high
14 safety standards for operating nuclear power plants as well
15 as for the assurance of decommissioning funding. That is a
16 big issue with me.

17 During the last public meeting of the Commission,
18 on December 14, 1995, when the Commission heard from
19 representatives of FERC, NARUC, the industry and the
20 financial community, the message to the Commission was to be
21 careful not to act too quickly because of uncertainty about
22 restructuring and deregulation. Nonetheless change is
23 proceeding apace, and the Commission must understand the
24 ongoing activities, how they are affecting nuclear utilities
25 that we regulate and the NRC's regulatory program and what

1 is necessary to ensure that NRC regulations remain effective
2 while not being unduly burdensome. Communications with
3 other regulators such as NARUC is vital in assuring that
4 effectiveness.

5 One of the more complex issues is the direction in
6 which states themselves are headed with respect to economic
7 deregulation of electric utilities and retail wheeling. I
8 understand that today's briefing will provide information on
9 this direction. I don't believe there are any slides.

10 Do any of my fellow commissioners have any opening
11 comments?

12 COMMISSIONER ROGERS: It's a great pleasure to see
13 you all here. So often my encounters with NARUC are at the
14 meetings around the country. It is really a great pleasure
15 to be able to welcome you to NRC and to have you all
16 together so closely to us here. I believe this is the first
17 time this has happened quite this way, and I hope that it
18 won't be the last.

19 CHAIRMAN JACKSON: Commissioner Dicus.

20 COMMISSIONER DICUS: No.

21 CHAIRMAN JACKSON: You may proceed, Ms. Parrino.

22 MS. PARRINO: Thank you very much. Chairman
23 Jackson, Commissioners Rogers and Dicus, thank you very much
24 for this very kind invitation. I agree with the Chairman's
25 comments that in these changing times it is critical that we

1 maintain a dialogue, and I hope at the conclusion of our
2 discussion today you will walk away with a very good sense
3 of what the states are doing with regard to electric
4 industry restructuring and that you will be assured that we
5 take the nuclear implications of that restructuring very
6 seriously, and that we are, as we look at options in each of
7 our states, thinking about how we ensure the protection of
8 the collection of decommissioning money so that we are sure
9 that those issues will be taken care of whatever the future
10 holds, as well as the safety issues.

11 I hope we can share with you some of the
12 information about how we look at issues, how we are dealing
13 with decommissioning, and some of the other items so that
14 you can walk away feeling assured that the states are paying
15 attention to that.

16 Thank you very much.

17 MR. GEE: Chairman Jackson and Commissioners
18 Rogers and Dicus, I want to echo the sentiments of President
19 Parrino. Because of the onset of changes in the industry to
20 reflect differences in management and regulatory philosophy
21 to allow for the introduction of more competition, obviously
22 one of the concerns we have as we go about our process in
23 introducing competition is the impact it will have on the
24 nuclear sector of our existing generation. Obviously with
25 that it becomes a concern of all of us with respect to the

1 safety implications, which is your job.

2 I am hopeful today that after we have our dialogue
3 what we will engage in is a beginning of a process between
4 us at the state level and between you at the federal level
5 to achieve a better understanding and an
6 institutionalization of communication between all of us so
7 that you can better understand our role as we attempt to
8 restructure the market, what type of mechanisms we are
9 putting in place to ensure the continued financial integrity
10 of our utilities, to ensure the continued collection of
11 decommissioning costs, and also for us to better understand
12 what concerns you may have with respect to your oversight
13 responsibilities to ensure the continued safety and
14 operation of these plants. I am hopeful that we can gain as
15 much by listening to you as you can gain from us.

16 MS. PARRINO: The items that you have listed as
17 far as topics, our agendas are very similar. The only item
18 that we would probably add to that is a discussion of the
19 status of spent fuel, which is an issue of great concern to
20 the states.

21 CHAIRMAN JACKSON: It's of great concern to us.

22 MS. PARRINO: Do you want us just to proceed?

23 CHAIRMAN JACKSON: Yes, please.

24 MS. PARRINO: Maybe to start off with
25 decommissioning and give you a general overview. Currently

1 I don't have the statistics on whether every but certainly
2 the majority of commissions are currently collecting the
3 costs of decommissioning through rates the customers are
4 paying today. States deal with those funds a little bit
5 differently.

6 The state of Wisconsin currently requires the
7 utility to use an external fund. We did that sometime ago.
8 We wanted to be assured that the company was not off
9 spending the money on diversification or other activities
10 but making sure that the integrity of that fund would be in
11 place at the time we needed to decommission the plant.

12 So commissions are currently recovering the costs
13 in preparation for the point in time where we will need to
14 decommission.

15 There are probably two different approaches that
16 are being looked at in the context of industry restructuring
17 to ensure that decommissioning will be viable and that the
18 dollars will still be there and that there are mechanisms to
19 continue to collect the money. There are variations on
20 those two extremes.

21 One approach is to keep nuclear facilities as
22 regulated plant and deal with it as a regulated facility and
23 continue to collect that money or assurance that
24 participants have to take that generation source out of
25 whatever pool of power. So again keeping the nuclear plant

1 under regulation, not putting it into the competitive
2 sector.

3 The second option would be to spin off nuclear
4 facilities just like all other facilities, but you would
5 assure again the ability to decommission through what we
6 call a wires charge. The view is that the distribution side
7 of the facility would continue to be a regulated monopoly.
8 For anyone to come in and do business or sell power in the
9 state, they would have to pay a wire charge. A component of
10 that charge would include the decommissioning costs that are
11 being recovered currently.

12 Those are the two avenues that are being debated
13 and variations on those two alternatives. A great deal of
14 attention is being paid at the states to assure that we can
15 continue to recover those funds.

16 CHAIRMAN JACKSON: Are you aware of any state
17 initiatives that would not track down one path or the other
18 as far as you know today?

19 MS. PARRINO: I am not aware of any. There may be
20 some minor permutations on those two methods, but I am not
21 aware of a state that is not. We are all dealing with the
22 issue of how do you collect the money and ensure the
23 integrity of the dollars.

24 MR. GEE: One thing I would like to embellish upon
25 what President Parrino said is that we are at a very

1 preliminary stage in introducing retail competition. Right
2 now there are only a few states that have made decisions on
3 how they want to restructure their markets, but even then,
4 with the probable exception of California, which is
5 attempting to restructure its retail markets in a much more
6 majestic way, most of the changes we are seeing are being
7 implemented very slowly and it's incremental and the
8 competition is being introduced quite slowly. We don't
9 anticipate that this is going to be a flash cut event where
10 suddenly, like the Oklahoma land rush, everybody suddenly
11 runs out and all generation is simply cast out into the open
12 market.

13 Many states right now, at least among those
14 members of our commissions that are active in NARUC that
15 I've talked to, have led me to conclude that many of them
16 are still in an investigative mode trying to determine how
17 best to introduce competition and have not reached the
18 milestone of actually making it happen.

19 I think it is fair to say that the two methods
20 that President Parrino just described are very actively
21 under consideration and that no decisions have been made
22 just yet over which would be a superior path.

23 COMMISSIONER ROGERS: I wonder if I could ask a
24 question on the decommissioning funds themselves. Do you
25 receive status reports on those funds once they have been

1 started and are being collected, on what the magnitude of
2 the fund is, and do you impose any restrictions on
3 investments that those funds can be placed in?

4 MS. PARRINO: Maybe I'll start and then turn it
5 over because we all may have a little bit different
6 approach. We do receive information about the status of the
7 fund, how much money is it making, how much interest are we
8 bringing in, at least annually. We have set up the scope of
9 the investment portfolio. We started up with a very strict
10 approach initially, requiring the utilities to invest in
11 what I understand in the tax code was explained as black
12 lung accounts or equities. As the tax code has changed we
13 have loosened up those requirements to some extent, but
14 again, being more cautious and recognizing that by being
15 more cautious you are not earning as much interest but you
16 are also not risking the money.

17 MR. GEE: In our state we also receive reports.
18 We have an external trust requirement in our regulations as
19 well and we receive periodic reports of the status of that
20 trust. We also are continuing to impose black lung
21 restrictions on investments. I believe there is a proposal
22 that is pending before our commission whether to liberalize
23 the investment requirements, but to my knowledge, I think we
24 still impose the black lung limitations.

25 MR. GEORGE: I might add, our processes are

1 similar. The selection of the firm that handles the trust,
2 the contract entered by the company and that firm and the
3 terms are reviewed in a contested proceeding. At that
4 proceeding not only is the company involved but the consumer
5 advocate and anyone else that can demonstrate an interest.
6 I think most states review on a regular basis.

7 One of the requirements that is included in our
8 contracts in Iowa is that funds can't be dispersed for any
9 purpose without an order of the commission. They are fairly
10 closely guarded.

11 MR. KINCHELOE: To continue the sense of unanimity
12 on that issue, I do want to assure you that certainly in
13 Missouri and my impression is throughout the nation
14 commissions give this direct attention. It is not something
15 that is resolved or monitored only in the bowels of the
16 staff activities; it is something we review. When the black
17 lung restrictions were amended the commission gave
18 deliberation to those new opportunities, but the
19 considerations of conservative and cautious investment were
20 paramount in Missouri.

21 MS. CLARK: In Florida we regularly review it. It
22 would be part of any rate case. In addition to a regular
23 review, my recollection is we have liberalized the
24 investments beyond, as it is termed, black lung type
25 restrictions because we felt that there was adequate safety

1 in those investments and a greater opportunity to earn, and
2 that is a positive benefit to the ratepayers.

3 MR. ARTHUR: We are more like Florida. These are
4 issues that are involved in rate cases and we don't have a
5 separate fund, but we are concerned about, are interested in
6 it. There are accounts that are set up for this purpose.
7 It is good for us to come here and look at this and examine
8 it and renew our commitment to this. So we thank you for
9 this opportunity.

10 MR. GEORGE: If I might make one additional
11 comment. In terms of the amount of money that is in the
12 fund and the amount that is collected on a regular basis, it
13 is determined based on a study that usually is the basis of
14 the contested case proceeding that we enter into. One of
15 the backdrops that is used to determine what should be in
16 that fund for a particular facility are the general studies
17 that are done by the Department of Energy on a fairly
18 regular basis. I would indicate to you that the Department
19 of Energy study is probably less conservative than the
20 decisions that we have made on a regular basis.

21 CHAIRMAN JACKSON: Were you each prepared to make
22 a statement or are you prepared to be questioned?

23 MS. PARRINO: We're prepared to be questioned.

24 CHAIRMAN JACKSON: Let me then begin with a few
25 questions. My fellow commissioners, I'm sure, have lots.

1 Accelerated depreciation accounts have been
2 discussed. I think Mr. Gee is familiar with some of this.
3 It has been discussed as a way of financially strengthening
4 utilities as well as addressing to a certain extent the
5 question of stranded investments. If in fact utilities were
6 allowed to write down the rate base to market value over
7 some shorter period of time than envisioned today, to what
8 extent would that increase or decrease your confidence that
9 decommissioning funds would be adequately covered in a
10 changing market environment?

11 MS. PARRINO: I will lead off again and then the
12 others can join in.

13 I guess I look at them as two separate issues.
14 The speed with which you recover the depreciation of the
15 plant can be separated from how you collect decommissioning
16 dollars. Again, if you want to have the dollars recovered
17 at the point the plant is depreciated, what we would do is
18 open an investigation, look at how many dollars we had
19 already collected, how many years we had remaining to
20 collect, the total amount you needed, and we may consider
21 accelerating that. It doesn't necessarily have to be
22 totally tied, but it could be, if that is what the
23 commission chose to do.

24 MR. GEORGE: One of the problems that comes up for
25 us as economic regulators in terms of accelerating the

1 collection of funds is the inter-generational issue in terms
2 of having those responsible for the costs pay or contribute
3 to the fund. We worry about a rate shock, and that is an
4 issue that is fairly significant politically within our
5 jurisdictions. So when we approach this issue, we approach
6 it with those kinds of concerns. Not so much to ignore
7 decommissioning or safety issues, but balancing those
8 issues.

9 MR. GEE: I would say that where there have been
10 instances of accelerated depreciation of nuclear plant, one
11 of its principal purposes obviously would be to minimize the
12 utility's financial exposure by recouping those monies now
13 and slowing down depreciation of other assets so that the
14 overall effect of that would be to minimize its current
15 impact on rates.

16 In the end, it seems what that is intended to do
17 is to posture the utility perhaps to be more competitive
18 with its nuclear generation, and as a consequence, I don't
19 see that there would necessarily be a direct impact on the
20 rate of recovery of decommissioning costs if you assume that
21 it would not have any significant impact on the continued
22 useful life of the nuclear plant. In other words, while you
23 may recover you costs of investment much more quickly, if
24 the useful life is still going to remain static, then you
25 can continue to collect decommissioning costs over a period

1 of time that would reflect useful life.

2 CHAIRMAN JACKSON: I think the argument goes that
3 by allowing this accelerated recovery you would strengthen
4 the balance sheet and therefore at least from an economic
5 viability perspective put the plants in a position to more
6 likely have a useful life that at least corresponds to the
7 time of an NRC license. In that sense the facility would be
8 in the position you are talking about, in which case the
9 decommissioning funds, if not recovered as part of some
10 accelerated payment, the plant would more likely from an
11 economic perspective continue to operate.

12 MR. GEE: Yes.

13 CHAIRMAN JACKSON: Therefore one could continue to
14 collect the decommissioning funds under some kind of
15 formula, perhaps one of the two options that you mentioned,
16 Ms. Parrino.

17 You mentioned rate shock, Mr. George. To what
18 extent are your various deliberations influenced by the
19 financial community's responses to your various state moves?
20 On the one hand there is the rate shock issue. On the other
21 side of it -- some people view it as being the other side of
22 it -- there is the question of what you do to the financial
23 viability of the utilities on that side.

24 MS. CLARK: I can tell you that that is of ongoing
25 concern to us. Certainly a more financially viable company

1 can get better rates in terms of borrowing money from their
2 sale of stock. What we try to do is look at their long-term
3 financial health, but we balance that on, is this a prudent
4 expense. The various things that go into rate-making.

5 I guess the best thing I think we can do is sort
6 of provide well reasoned, stable regulation over a long term
7 so that the financial community has some competence that
8 decisions made are based on the facts and circumstances and
9 a professional review of the evidence before them.

10 CHAIRMAN JACKSON: One idea that has come under
11 discussion is to address at the federal level the question
12 of stranded costs, including possibly decommissioning costs,
13 rather than having a 50 state solution. In this case the
14 recognition of decommissioning costs relative to NRC
15 requirements might be easier to handle, some might argue, as
16 part of comprehensive federal legislation. I would
17 appreciate the view of any and all of you on that idea.

18 MR. GEE: That is a very good question. We have
19 spent a great deal of time this week within NARUC discussing
20 what stance our organization ought to take on proposed
21 legislation. I think it's fair to say that many of us feel
22 that while we don't necessarily see any immediate need for a
23 federal legislative response, I think ultimately there are a
24 number of questions that ought to be looked at by Congress
25 and ultimately have them play a role as the industry is

1 restructuring incrementally state by state because of
2 nonuniform impacts of retail market restructuring that could
3 occur state by state and sort of the patchwork phenomenon
4 could ultimately be upon us over time.

5 One of the questions obviously is how to treat
6 potential uneconomic investments in nuclear capacity and
7 also ensuring the continued collection of decommissioning
8 costs. I think the jury is still out over whether there is
9 the need for a federal legislative response at this time to
10 ensure the continuity of those practices, because it's
11 unclear just exactly how many states are going to be making
12 moves that would put nuclear generation and subject them to
13 market pressure in an open, competitive market.

14 I can see that ultimately once that process begins
15 that perhaps it may be worthwhile to take a second look from
16 a federal perspective.

17 CHAIRMAN JACKSON: I guess there is always the
18 lead/lag phenomenon. You made the point, particularly when
19 you were here earlier, to not have perhaps preemptive, if I
20 might use that word, federal action. On the other hand, as
21 you recall from that meeting, Commissioner Rogers made the
22 point, if I can use your phraseology, that stranded assets,
23 particularly relative to our concerns, don't become stranded
24 responsibilities.

25 An issue for me is on the one hand not wanting to

1 preempt the prerogatives of the states, but when the train
2 has left the station, to then say that in those areas where
3 there may be concerns, that then perhaps there should be
4 some federal action, is one that in some sense one might
5 argue could lead to a messier process.

6 MS. PARRINO: If I could jump in, I need to make
7 it clear. As Bob has said, NARUC has not taken a position
8 as of this point. So I am speaking with my Wisconsin hat,
9 not with my NARUC hat. I think it's important to allow the
10 states to have flexibility. A number of reasons. Rates are
11 at different levels in different states. States have
12 different nuclear situations.

13 In our state in particular we feel we are in
14 pretty good shape, and we are actually thinking we may not
15 have stranded costs; we may have assets that are valued less
16 on the rate base than they would be in the marketplace. We
17 are sensitive to balancing rate impact, yet the impact on
18 the financial community if we were to say we aren't going to
19 allow you to recover any of these costs.

20 I think another difference that needs to be
21 factored in is the role that each state played in those
22 decisions. Again, Wisconsin was very much involved and very
23 much a partner in deciding whether or not the nuclear
24 facilities were built. We had two plants on the drawing
25 board and the Commission said there is no longer a need for

1 these two plants.

2 So I feel very much committed given the role that
3 the Commission played in the partnership that we have a
4 responsibility to recover those stranded costs. Now our
5 rates are very low. So we can afford to do that.

6 I think it's important for the states to balance
7 the differences and the issues that they are dealing with,
8 and if the federal government feels that states are not
9 acting appropriately or responsibly, maybe then the federal
10 government should take some action. Short of that, I would
11 say you need to leave it to the states. They know their
12 local climate; they know the state economics; they know
13 their customers.

14 MR. GEORGE: Chairman Jackson, I had hoped that
15 Commissioner Fessler from California might be here today.
16 Most of us have not gotten far enough along, but we have to
17 address the issues associated with nuclear in the
18 transition. California has gone forward and has, I think,
19 handled the issue fairly responsibly. I can't describe the
20 process. Maybe there is someone else at the table who can.
21 But as I understand it, they have established a manner of
22 collecting the costs associated with nuclear from the wires,
23 as has been considered generally, or at least at the federal
24 level by FERC.

25 CHAIRMAN JACKSON: Commissioner Rogers.

1 COMMISSIONER ROGERS: On this subject, or shall we
2 move to another subject?

3 CHAIRMAN JACKSON: Whatever you choose.

4 COMMISSIONER ROGERS: I've had the benefit of
5 listening to the discussions at NARUC meetings on the
6 nuclear waste issues, and I think that is something that I
7 would like to give you an opportunity to say what your
8 thoughts are. This weekend at the Electricity Subcommittee
9 meeting there was, I think, a rather subdued atmosphere,
10 which is perhaps the best way to put it, on the high level
11 waste issue and the questions that related to what to do
12 about the spent fuel at plants and what the costs might be
13 to the utilities from keeping that fuel on site and
14 postponing decommissioning until some later date. I think
15 those numbers are quite large that came out of the report,
16 but also rather uncertain, a very wide range, a factor of
17 ten between the smallest and the largest numbers in the
18 report.

19 I wonder what the commissions are thinking about
20 with respect to the complications arising from the disposal
21 of the low level wastes that comes about from the
22 decommissioning of the plants. It seemed to me that that is
23 a very big issue. Well, there are very big uncertainties in
24 that issue. It might be big or it might not be big, but at
25 the moment if one simply extrapolates the disposal costs

1 currently in effect forward on the basis of their growth in
2 the past, these costs could be enormous. Of course we don't
3 know that that will be the case.

4 I would just invite your comments with respect to
5 the questions of decommissioning costs of the plants as they
6 relate to the problems of disposal of low level waste and
7 also the problems of getting spent fuel off site. I know
8 it's a very big issue nationally and certainly under intense
9 discussion right now, but I wonder whether any of you folks
10 would like to give us some of your thoughts on those
11 matters.

12 MS. CLARK: I guess I would comment that I have
13 during my tenure more focused my efforts on high level and
14 then about a year ago began thinking more about the low
15 level issue too because of the compact involving the
16 Southeastern states in the continuation of the Barnwell site
17 as opposed to opening a new site in North Carolina, and at
18 that point talked to my counterparts in state government who
19 have responsibility for safety with respect to low level
20 waste, and as I understand it, they do it somewhat under
21 your auspices.

22 So we began talking and I am now educating myself
23 and inquiring of our utilities in terms of what they are
24 planning with respect to low level waste: Are they
25 endeavoring to minimize how much waste will be produced and

1 specifically what are they doing in terms of advancing the
2 assurance of having a site for low level disposal?

3 I feel somewhat that in Florida we are in a better
4 position than some states since we do have a compact and we
5 do have a site. I understand there are some difficulties
6 within that compact, especially with perhaps transitioning
7 from the Barnwell site to a site in North Carolina.

8 I am beginning to educate myself and realize that
9 that is a concern and a piece of the decommissioning puzzle
10 too.

11 MR. ARTHUR: She really doesn't have a site. We
12 do.

13 [Laughter.]

14 MR. ARTHUR: They are all looking to bring it to
15 us. It is my understanding that South Carolina is basically
16 first come first served; if you've got the money, we'll take
17 it.

18 There is a limit. The design capacity of Barnwell
19 is limited, and the real question that will come when we
20 reach capacity is whether or not we are going to expand the
21 capacity of the site. That is going to be a real difficult
22 political question for the general assembly to answer. I
23 would imagine that when decommissioning starts, if there is
24 a lot that has to come or people want to bring, then it will
25 fill up fast.

1 I understand that North Carolina has really got
2 serious problems. I talked to somebody yesterday and they
3 thought it would never open in North Carolina. Hopefully
4 that is not the case.

5 We want to do our part, but the real issue will be
6 the political situation at the time when the site reaches
7 its capacity.

8 MS. PARRINO: We are very much concerned about
9 this issue as well, both low level and high level. We do
10 not have a place for low level to go.

11 One thing that ties into the safety issue that you
12 mentioned earlier and is a concern of ours if you are having
13 sites all across the country at every nuclear facility is
14 the number of young individuals who are choosing nuclear
15 engineering, the safety technicians. They view it as not a
16 career growth industry, and the numbers at least at the
17 University of Wisconsin going into those fields is
18 decreasing. A safety concern I have if we are storing low
19 level and high level at a number of facilities around the
20 country is, are we going to have the expertise ten years
21 from now because individuals are not going into those
22 fields? I think that is another issue that ties into the
23 safety concerns that you raised.

24 CHAIRMAN JACKSON: Let me backtrack a minute.
25 Give me some of your thoughts relative to FERC's actions in

1 the wholesale arena, and to what extent do you feel any of
2 the methodology to address deregulation that FERC is putting
3 forward is applicable at the state level, or at least how
4 does it interact with your various regulatory arenas?

5 MR. GEE: I think many states, if not all, are
6 looking to see how FERC is going to respond on questions
7 such as the method they use for stranded cost recovery, for
8 wholesale stranded cost. The method that they prescribe is
9 this net, non-mitigable level of cost that can be recouped.
10 How they spread those costs out, what percentage they arrive
11 at is going to be a very instructive decision to those of us
12 at the state level who are looking at the same questions
13 with respect to potential retail stranded costs.

14 Also, one of the concerns, none that has an
15 immediate safety impact, is the jurisdictional question over
16 how broadly FERC is going to be construing its jurisdiction
17 over the wires and whether it's transmission jurisdiction
18 does extend into portions of what we would consider to be
19 the state's jurisdiction over distribution. That is going
20 to be a key question that will significantly influence the
21 pace and the rigor of competitive reforms in the industry
22 and also influence in certain respects the discretion and
23 the flexibility of states to undertake reforms in their own
24 respective jurisdictions, because presumably if their
25 jurisdiction over a grid is smaller, then obviously it would

1 limit opportunities to potentially impose commonly charged
2 fees such as wires charges or stranded benefits charges. I
3 guess in that sense it may have some implications with
4 respect to how we restructure our own markets but only
5 indirectly impact anything with respect to nuclear safety.

6 CHAIRMAN JACKSON: Except to the extent of the two
7 approaches that Ms. Parrino outlined and the one that in
8 fact did involve what you might call a wires charge, and
9 therefore it would impact the ability of the state
10 commissions to load such a charge relative to
11 decommissioning onto that.

12 MR. GEE: Yes. In that sense it would limit the
13 options and probably prevent the state from moving its
14 nuclear generation to a more competitive market and induce
15 it to keep it under a regulated scheme.

16 CHAIRMAN JACKSON: Any of the others?

17 MR. KINCHELOE: I might just mention that, having
18 attended hearings in the House Commerce subcommittee
19 yesterday, the issue of the stranded costs and the issue of
20 jurisdiction between transmission and distribution were both
21 items of interest. I think this is going to be a matter
22 very consciously deliberated in Congress.

23 I believe the states would welcome support in
24 assuring that there is a mechanism by which every retail
25 transaction could be reached by states in assuring that any

1 charges on distribution wires would reach all those
2 transactions.

3 Apart from the question of transmission
4 jurisdiction, and so forth, which might be more contentious,
5 I would think that perhaps from your perspective the
6 potential of the capacity availability of both state
7 jurisdictions and whatever jurisdiction the FERC might have
8 or might develop coming out of new legislation that is
9 possible there could be advantages in making sure that both
10 of us could reach as many transactions as possible. When I
11 say both of us, I mean the FERC in terms of whatever
12 stranded cost mechanisms it might develop and states.

13 CHAIRMAN JACKSON: What do you think of some of
14 the impacts, negative or positive, from adjacent states?
15 How is that going to affect the process where there might be
16 significantly differing degrees or types or modalities of
17 economic regulation?

18 MR. GEE: I can give you a speech on that.

19 CHAIRMAN JACKSON: Good. Why don't you give me a
20 one minute or two minute speech.

21 MR. GEE: I think that is the most burning
22 question that confronts us when we are trying to sort out
23 what is the role of the states versus the federal
24 government. Obviously when you have one state that makes a
25 decision to open its market, restructure its retail markets,

1 it inevitably would or could have an impact on not only the
2 states that are contiguous to it, but even beyond, because
3 many states, as we know, are served by a common utility
4 system or common grid or common power pool.

5 What I think will eventually happen is that there
6 will ultimately have to be some new regulatory structure at
7 the regional level that will be superimposed upon individual
8 states over the long term. When that occurs is subject to
9 debate, but ultimately it seems unlikely that you could have
10 one state simply open its markets and not have other states
11 somehow not be affected. In fact we are hearing just the
12 opposite. Most of our states that are active in NARUC are
13 telling each other that they began their investigation of
14 retail competition because of what the other state just did.
15 So it is having something on the order of a domino effect.

16 MR. ZIEGNER: It is beginning to be couched, at
17 least from what we've heard from Congress, in terms of
18 economic development. A low cost state that opens up its
19 market, as Chairman Gee said, is going to be able to attract
20 a business. That's a great concern. It is difficult on the
21 one hand for states to argue we want the ability to
22 determine our own destinies and then have that question on a
23 national level.

24 MS. PARRINO: It's a very serious issue in
25 economic development. The state of Wisconsin has been

1 fairly successful in getting businesses to move out of the
2 state of Illinois and into the state of Wisconsin. My
3 colleague Dan Miller isn't very happy about that. Neither
4 is the governor of Illinois. But one of our draws is our
5 low electric rates. If that becomes a larger market, then
6 the state has got to look for other draws, an economic
7 development incentive or whatever to bring business to the
8 state.

9 CHAIRMAN JACKSON: Some of the utilities
10 themselves have been parts of power pools and are forming
11 what one could call their own regional structures. One
12 could argue that if it works, perhaps the market should
13 drive it, and that that would be a way to flatten the
14 relative advantage that one state has over the other. Do
15 you have any comments about that?

16 MS. PARRINO: I would agree. I think that is what
17 you will see as an equalization of some sort. My hope is
18 that all prices are going to come down, not that Wisconsin's
19 customers are going to pay the average of all the rates
20 around our region. That is a question left to be answered.

21 CHAIRMAN JACKSON: I'm saying when the utilities
22 themselves form these regional pools, then the thought would
23 be to remove them from direct economic regulation.

24 MS. PARRINO: Yes.

25 CHAIRMAN JACKSON: Therefore the rates that

1 different states charge would not be the governing factor
2 but in fact it would be a market driven process.

3 MS. PARRINO: Right, and what's the differential
4 between that market driven rate and what customers pay
5 today.

6 MR. GEE: If you happen to live in a state or do
7 business in a state that has high rates, they come down by
8 virtue of averaging it across the grid. Then you're fine.
9 But if you are in a state that has relatively low cost power
10 now, say, for instance, through provision of hydroelectric
11 power, then you could see a very pronounced impact when
12 those prices ultimately reflect what the market would bear.
13 We know that is a common concern for those states that
14 continue to enjoy that advantage, and they are probably
15 going to be a lot less willing to enter into a competitive
16 market, but I don't know whether they have much of a choice
17 in the long run.

18 COMMISSIONER ROGERS: I have a little question
19 here that relates to this from a more technical point of
20 view rather than an economic point of view.

21 One of the issues which has been a bit of a
22 concern to me, although I don't pretend to understand it but
23 have been thinking a little bit about it, is that as you
24 open these grids up to competition and there is some kind of
25 a free market going on here, what about the technical

1 capabilities of the grid to deliver reliable electricity to
2 any particular customer in the grid?

3 The current flows on these grids are extremely
4 complicated. The management of grids is a very, very
5 sophisticated business. It's my understanding that some
6 very strange things can happen with respect to various parts
7 of the grid when new customers suddenly come on that perhaps
8 were not anticipated in the design of the grid.

9 The reason I am interested in this is the
10 possibility that it might have an effect on the availability
11 of offsite power to nuclear power plants. It does seem to
12 me that is an issue that maybe has been dealt with but I
13 think at some point we need to understand it from our point
14 of view. All the discussion now is on economics. It's all
15 dollars, costs, rates, and so on and so forth. That's fine.

16 But there is another issue, and that is the
17 provision of reliable power to the customer. My concern is
18 when that customer is a nuclear power plant that relies upon
19 external electrical power for its safe operation and whether
20 the reliability of that somehow could be impacted by a
21 changing environment of customer loads and demands on the
22 local grid.

23 I wonder to what extent NARUC is thinking about
24 this, because it does relate to this interface between
25 states and different utilities, and it does seem to me there

1 is at least a safety question that has to be answered.

2 Whether it's a problem or not, I'm not really
3 sure, but I know that this is a difficult technical
4 question. At one of the technical meetings that I attended
5 I heard a discussion by a professor, I think at the
6 University of Illinois, who is doing some studies on grid
7 behavior under different load assumptions and changes and
8 found that there were some rather troublesome behaviors in
9 local spots on the grid. You have circulating currents in
10 loops, and sometimes these things can in fact get much
11 larger than what is assumed to be the current coming in and
12 going out in some portion of the grid.

13 I don't intend to get into a technical discussion
14 on this today, but it does seem to me that this is an area
15 that I'm sure has had attention in the past, grid
16 reliability, and what not. When you start to change the
17 customer base to possibly a rapidly changing situation,
18 maybe from month to month or day to day or hour to hour, if
19 there is really a free market approach to who you are going
20 to buy your electricity from, there is a possible safety
21 problem with respect to reliability of supply to nuclear
22 power plants.

23 MR. KINCHELOE: If I might respond briefly to
24 that, first of all, to give you assurance that all the talk
25 is not just about the economics of it. Certainly we have

1 been through an exercise and are currently involved in an
2 exercise in NARUC about principles by which any
3 restructuring and transition in the industry ought to take
4 place. In doing that we have looked at the principles that
5 have been developed in various states that are generally
6 furthest along in those developments. I think consistently
7 the states that are looking at this are looking at
8 reliability as a paramount consideration. I know the
9 association is as well.

10 Beyond that, and perhaps more importantly, I think
11 the industry certainly has its eye on this. First of all,
12 even from an economic point of view I think there is a
13 recognition that nothing could set the whole process back
14 and give the industry a black eye and give the idea of any
15 transition or restructuring a death knell than to have
16 substantial or significant reliability problems that arose
17 out of it. I think the public simply would not stand for
18 it. I think there is a tremendous sensitivity to that.

19 Finally, I would just say the North American
20 Electric Reliability Council, NAERC, is certainly giving
21 this issue very focussed attention in the context of the
22 industry changes going on now from the point of looking at
23 its internal structure and who is involved. New industry
24 participants are being included on the NAERC board of
25 trustees and the operating and engineering committees. I

1 think there is a sensitivity that more players need to be
2 brought to bear and have their attention focused on the
3 reliability issue, and that is happening. The security
4 processes are being reviewed.

5 I think there are potential advantages as well as
6 risks to be managed on the reliability issue, but the fact
7 that markets are going to be larger means that security
8 processes, I think, also will be more widely interconnected,
9 and there are positive opportunities there. The issue is
10 being closely looked at though, I think, and it certainly
11 needs to be. As you point out, it needs to be a paramount
12 consideration.

13 MR. GEORGE: Commissioner Rogers, being acquainted
14 with my fellow colleagues who are scientists and engineers,
15 as I look up and down the table today I don't think there is
16 much of a chance that we are going to get into a technical
17 discussion.

18 [Laughter.]

19 MR. GEORGE: I would be interested in knowing
20 whether it's the rule or the exception that nuclear
21 facilities rely on outside power.

22 COMMISSIONER ROGERS: Every nuclear power plant
23 requires offsite power to get started and relies on it.
24 However, it also has standby power in case that fails. So
25 should the external power fail, the plant has to have a

1 capability of a safe shutdown in the event that all offsite
2 power is lost, and we have regulations that require that.
3 Nevertheless, one would not like to see inadvertent
4 challenges to that system unnecessarily.

5 The design is a defense in depth approach but with
6 the idea that normally there will be offsite power
7 available. While all these backup systems are there and
8 checked from time to time to make sure they are operable,
9 there is always the remote possibility that somehow they are
10 not operable in the event that offsite power is lost. We do
11 everything we can to see that that does not take place, but
12 nevertheless one would not like to see offsite power become
13 unreliable through complications in the loading of the grid.

14 MR. ARTHUR: We in South Carolina are somewhat
15 concerned. We're in a low cost area too. One of our
16 companies has already made a deal with somebody outside the
17 region. Of course we are going to watch very closely the
18 stability of our supply. I think one of our primary roles
19 as state regulators is to try to protect the integrity of
20 the system in the state. That would certainly include
21 having that backup supply available for nuclear.

22 MS. CLARK: I would just say in Florida we already
23 sort of deal with that issue in our broker system. We have
24 a system where at least with respect to those people who
25 participate in the broker system the next unit dispatched is

1 the one that is the next least cost, and we require our
2 utilities to share their power. They split the savings in
3 effect, so they have an incentive to participate.

4 There is a responsibility on the group operating
5 the broker system, which I understand FP&L does it but under
6 the auspices of -- I can't remember what the name of the
7 group or association is of the utilities, but they are
8 responsible for ensuring the reliability of the grid and
9 making sure that the dispatch does not adversely affect the
10 reliability.

11 I can say that the open access NOPR has called
12 into question the broker system in that it appears that
13 other entities who are not part of the broker system now
14 will be able to upset that dispatch to the disadvantage of
15 the people who are gaining the advantage now.

16 It is an issue with us in terms of reliability,
17 but I would expect it can be handled.

18 MR. GEE: Also, I think the question of
19 reliability is significant in terms of what would be its
20 overall impact by virtue of market pressures and economic
21 behavior that may be different from today, but I think it's
22 important to stress that as this debate moves forward the
23 goal among all is that you keep the reliability concerns and
24 the reliability imperatives paramount and coexisting with
25 whatever you introduce in terms of new market mechanisms and

1 market clearing mechanisms so that you don't have economic
2 decisions dictating or influencing what is necessary from a
3 reliability standpoint.

4 I think over the long term what we are looking at
5 is ensuring that from a reliability standpoint there be a
6 sufficient planning process to envision what new needs for
7 new transmission capacity are necessary to accommodate power
8 flows across the grid. If there is additional siting of new
9 generation, where those ought to be sited from a reliability
10 standpoint, but at the same time having a new market
11 mechanism that coexists side by side where trades can be
12 made on an open, real time basis and power can be sold on a
13 spot basis, but not have that be driving the decisions that
14 you have to make for reliability purposes.

15 So I guess I would see the arrangement as one
16 being superimposed upon the other but not allowing the
17 market mechanism to influence or to impair the reliability
18 decisions. Those can exist side by side.

19 COMMISSIONER ROGERS: They have to be interlocked.

20 MR. GEE: They have to be integrated. I agree.
21 But one will not impair the other. I guess that's the goal.

22 CHAIRMAN JACKSON: Are there discussions within
23 NARUC about this on a broader basis? When I asked the
24 question about the impact of neighboring states on a given
25 state's situation, I got individual state answers relating

1 to economic development, et cetera. The question becomes
2 one, since this is the national group, is this group
3 developing a position relative to some of these issues,
4 particularly from the reliability issue, but more broadly?
5 If you are talking true grid management -- you may have a
6 different point of view, Mr. Gee. My understanding is that
7 Texas is its own grid.

8 MR. GEE: Right. That among other features of our
9 state that are independent, yes.

10 [Laughter.]

11 CHAIRMAN JACKSON: And Texas is its own country.

12 [Laughter.]

13 MR. GEE: Some believe that, yes.

14 CHAIRMAN JACKSON: But that is not in general the
15 case, and therefore how this issue gets addressed is not
16 specifically a one state issue.

17 MR. GEE: It's not.

18 CHAIRMAN JACKSON: I think it is important that
19 this group, since you all come together, perhaps develop a
20 perspective on that.

21 MR. GEE: One new mechanism that has been proposed
22 and actually adopted is this notion of what we call an
23 independent system operator, which is sort of the mechanism
24 that manages the power flows and keeps an eye on
25 reliability. That function is divorced from the power

1 dispatch function. That has economic impacts to which
2 plants get put on line from an economic standpoint, but
3 obviously there has to be integration between the two. The
4 whole goal of the independent system operator is to remove
5 the direct control from an economic standpoint from those
6 that own the transmission so that they don't use it to their
7 economic advantage.

8 I guess the short answer is, yes, this is
9 something that is under consideration and is actively being
10 looked at by our member commissions as a potential means of
11 moving to a more competitive market while at the same time
12 continuing the reliability imperatives that are necessary to
13 keep the power flowing.

14 CHAIRMAN JACKSON: That also means perhaps giving
15 up some state-specific regulatory control.

16 MR. GEE: Yes. I think under the California
17 scheme, as I understand it, they would have this new entity,
18 what they call an independent system operator, come under
19 FERC jurisdiction.

20 MS. PARRINO: The difficulty we have there is
21 there are many debates and much dialogue currently in NARUC
22 trying to come up with a policy position, but the Executive
23 Committee of the organization has not acted on anything, so
24 the organization doesn't have a position to put forward. It
25 is actively being debated and all of the permutations and

1 issues related to restructuring are being brought up and
2 discussed and debated.

3 MR. GEORGE: One of the difficulties that we have
4 individually as states is that we are constrained by the
5 policies that are set by our legislatures. At the retail
6 level power is not crossing state lines now and there is not
7 an immediate threat of that occurring because of our
8 franchise territories. I think that we are not discussing
9 the issues because that really is a policy that we can't
10 make, although we might influence it.

11 CHAIRMAN JACKSON: The PJM grid does have power
12 flowing across state lines.

13 MR. GEORGE: At the wholesale level.

14 CHAIRMAN JACKSON: Right.

15 MR. ZIEGNER: Chairman Jackson, I was going to
16 dovetail what Chairman Gee said on the ISOs. I think there
17 is a recognition on the utilities' part that reliability is
18 in all of our statutes. It's the second word in our
19 statute, to provide safe and reliable service at reasonable
20 cost. There is a group of investor owned utilities in
21 Indiana that are forming an ISO. Obviously that is not the
22 main driver, reliability, but it's certainly a recognition
23 on their part, I think, that this is of paramount concern.
24 To a certain extent, as Commissioner George points out, a
25 lot of this may be ultimately out of our individual hands,

1 but it obviously is of great concern to us.

2 CHAIRMAN JACKSON: Let me take you back to the NRC
3 for a second. Are you aware of any NRC imposed antitrust
4 conditions which are inconsistent with the various
5 pro-competitive initiatives?

6 MR. GEE: I think it is safe to say that many of
7 us are not generally aware of the NRC antitrust conditions.

8 CHAIRMAN JACKSON: Then I shouldn't have brought
9 it up.

10 [Laughter.]

11 MR. GEE: It's something that came up in the
12 context of our discussions. Quite frankly, I was not aware
13 it existed until I first heard it discussed last December.
14 I guess that touches on the area that I was getting at where
15 we would like to hear more from you folks to tell us, and I
16 would like to learn more about what the history of those
17 conditions was and what its purpose is intended to fulfil
18 today.

19 CHAIRMAN JACKSON: He knows that I always put him
20 on the spot. I just want to introduce you to Mr. Bill
21 Russell, who is our director of nuclear reactor regulation.
22 While we are not going to ask him to speak today about it
23 because it's a treatise, I invite you to interact with him.

24 MR. GEE: I think to the extent that that does
25 have some influence over market structure and ownership that

1 would be something that we would be very much interested in
2 learning more about, because obviously we are going through
3 a period right now of utility mergers and many of us are
4 addressing those in our individual states as well where we
5 have a number of utilities that have already merged or in
6 the process of merging. So, yes, I personally would be very
7 interested in knowing what those antitrust provisions carry,
8 and I think all of our members would as well.

9 MS. PARRINO: We have been doing some thinking
10 about how to continue the dialogue and do a better job of
11 sharing information and helping each other do our jobs
12 better. One suggestion that we came up with is that at the
13 commissioner level there is a subcommittee on nuclear waste.
14 We thought it might be worthwhile to develop a staff level
15 nuclear subcommittee and reach out to the staff at the NRC
16 so that we can begin to share expertise from both sides. If
17 that is something you would be interested in, we would be
18 very interested in that.

19 COMMISSIONER ROGERS: We have talked about
20 something like that in the past. I think there has always
21 been an interest of both organizations. It's just that
22 somehow we never really brought it off. Maybe this is
23 something that we ought to work at a little harder.

24 I think it is important that it be at the staff
25 level, for two reasons. One is, of course, the staff knows

1 everything. The other is that the staff is around longer
2 than either NRC commissioners or NARUC commissioners in
3 general. The continuity is very important in these things.
4 It would also be, I think, a very informal kind of
5 relationship. We might schedule things, and so on and so
6 forth, but it would be clearly a voluntary, informal
7 connection. Nevertheless, once it starts to work and if it
8 is maintained, it can be very valuable. It is difficult to
9 jump start it when it doesn't exist, and I think that is
10 what we are seeing.

11 Perhaps one thing that could come out of this
12 meeting today is a kind of mutual commitment to try to get
13 together and find some way in which we could establish some
14 regular contacts between our staffs to provide a mechanism
15 for a channel for communication that is there on a more or
16 less permanent basis.

17 MR. GEORGE: It certainly would be valuable from
18 the standpoint of our knowing something about antitrust
19 provisions that are within your regulations.

20 CHAIRMAN JACKSON: Could you speak into the
21 microphone, please.

22 MR. GEORGE: It would give us an opportunity to
23 have a bit more knowledge about your processes and
24 regulations, but also it would work the other way as well in
25 terms of what we do in terms of rate-making, which is

1 something that would probably not be familiar to your staff.

2 MS. CLARK: Madam Chairman, I would have this
3 suggestion. I know our staff gets together through
4 conference calls like the electricity committee does. I
5 certainly think that we can ask your staff to participate in
6 those conference calls and perhaps be a member of the staff
7 committee. I don't know what NARUC's rules provide for, but
8 certainly I think the questions and the conversations we are
9 having now can form the basis of areas that they would
10 explore and then bring to us to educate us and also educate
11 you in terms of what we are doing. That would be very
12 helpful.

13 I have found that those conference calls are very
14 helpful because they take place almost every two weeks. So
15 there is that ongoing contact that provides the continuity
16 you need to make it an effective liaison.

17 MR. GEE: I think that is an excellent idea and
18 would welcome your staff's participation in that.
19 Commissioner Rogers and I had talked about this ongoing
20 institutional problem of transient commissioners interfacing
21 with one another and the lack of continuity between state
22 commissioners and the NRC over a period of time.

23 Cheryl Parrino's suggestion to have an express
24 staff subcommittee created to be an NRC liaison would go a
25 long way to institutionalizing an arrangement between state

1 commissions and the NRC by having a permanent staff
2 subcommittee whose designated purpose is to act as liaison,
3 and that could be made up of some of our current staff
4 members already who are active together but for the fact
5 that they don't have an express purpose on an ongoing basis.
6 I think that is one of the things that maybe we can achieve
7 today along with continued dialogue between our staff and
8 yours through conference calls or through any other means.

9 CHAIRMAN JACKSON: During a period of great
10 evolution I think the communication is important, to have it
11 ongoing and to have it be fruitful and useful. I have
12 already introduced you to Mr. Russell. A lot of this falls
13 on his plate. He and I will be talking as part of the
14 follow-up, but I would urge you to introduce yourselves to
15 him before you leave.

16 Commissioner Dicus, do you have any comments?

17 COMMISSIONER DICUS: As the new kid on the block I
18 am free of questions, at least on this trip. I appreciate
19 your being here. It has been very, very helpful to me to
20 hear your thoughts and concerns. Thank you.

21 CHAIRMAN JACKSON: I would like to thank all of
22 you for coming and taking the time to come and brief the
23 Commission today on developments on electric utility
24 deregulation. The session has been very informative and
25 reflects, I think, the healthy and continuing dialogue that

1 exists and can be potentiated between the NRC and NARUC. I
2 know that Commissioner Rogers has had a long history of
3 interacting with your group. We will be continuing to
4 gather information about developments in this area in order
5 to improve the effectiveness of our regulatory regime.

6 As part of the information gathering, I don't know
7 if you know the Commission is currently considering an
8 advance notice of proposed rulemaking on nuclear power
9 reactor decommissioning financial assurance. If this rule
10 is published for publication in the Federal Register for
11 comment, I would encourage NARUC and others to provide the
12 NRC feedback so that we can have a wider information base in
13 considering any proposed rule.

14 Although there is still uncertainty about the
15 economic environment within which electric utilities will
16 operate, as I pointed out at the beginning, utilities have
17 already embarked themselves on restructuring to position
18 themselves for the future. Also, as I've said before,
19 during this restructuring NRC's primary focus will continue
20 to be on high safety standards so that they are maintained,
21 that adequate resources for safe operation are available,
22 and that decommissioning funds are adequately funded, and we
23 welcome your continuing input.

24 Before I close I would like to recognize a former
25 NRC commissioner. Mr. Peter Bradford is here in the

1 audience, and I would like to ask him to stand and be
2 greeted.

3 Thank you. Good to see you.

4 If there are no further comments or questions --

5 MS. PARRINO: If I could make a closing remark as
6 well, I would appreciate that.

7 CHAIRMAN JACKSON: Of course, but I'll still have
8 the last word.

9 [Laughter.]

10 MS. PARRINO: As it should be.

11 I would like to thank you as well for the
12 extension of this hospitality and hope that we can continue
13 the dialogue. Another offer from the states. When you come
14 out to visit or if you are in our state, please feel free to
15 give us a call, and we would be happy to host you at our
16 facilities or we would be happy to join you. If you happen
17 to be out touring one of the nuclear plants in our state, we
18 would be happy to join you.

19 I would also like to offer the services of NARUC
20 as you begin drafting your notice of proposed rulemaking.
21 If you have specific questions, please feel free to give
22 Paul Rodgers, our executive director, or Chuck Gray a call,
23 and they would be more than happy to provide you and pull
24 from the states whatever information you may need.

25 CHAIRMAN JACKSON: Okay. The last word. We're

1 adjourned.

2 [Whereupon at 10:48 a.m. the meeting was
3 adjourned.]

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

CERTIFICATE

This is to certify that the attached description of a meeting of the U.S. Nuclear Regulatory Commission entitled:

TITLE OF MEETING: BRIEFING BY NARUC ON UTILITY
DEREGULATION - PUBLIC MEETING

PLACE OF MEETING: Rockville, Maryland

DATE OF MEETING: Wednesday, February 28, 1996

was held as herein appears, is a true and accurate record of the meeting, and that this is the original transcript thereof taken stenographically by me, thereafter reduced to typewriting by me or under the direction of the court reporting company

Transcriber: Michael Paulus

Reporter: Michael Paulus