

March 23, 2018



United States Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D. C. 20555-0001

Serial No. 18-089
NRA/TJS Rev. 0
Docket No. 50-305
License No. DPR-43

DOMINION ENERGY KEWAUNEE, INC.
KEWAUNEE POWER STATION
DECOMMISSIONING FUNDING STATUS REPORT, FINANCIAL TEST AND
INDEPENDENT PUBLIC ACCOUNTANTS' LETTER OF ATTESTATION

Pursuant to 10 CFR 50.75(f)(1) and 10 CFR 50.82(a)(8)(v)-(vii), Dominion Energy Kewaunee, Inc. (DEK) is providing this report on the status of decommissioning funding for Kewaunee Power Station (KPS).

Enclosure 1 provides the following information for KPS:

- Table I - Decommissioning Funding Status Report for KPS
Summary Information as of December 31, 2017
- Table II - Decommissioning Funding Status Report for KPS
Annual Cash Flow Analysis Starting January 1, 2018 through
End of Decommissioning

The following information is provided in support and as part of this filing:

1. The escalation of decommissioning costs from the Cost Study's 2012 dollars to 2018 dollars is 1.59% and is based upon the average of CPI-U rates for that period. The mnemonics are "FCPIU.US, CPI: Urban Consumer - All Items (Index, 1982-84=100, SA)."
2. The escalation of decommissioning costs shown in Table II is held at 0.0% based on assuming a 2.0% Real Rate of Return.
3. The growth rate on Trust Funds is held at the allowed 2.0% Real Rate of Return over the escalation rate.
4. No rate regulatory authority citation for KPS is referenced because KPS is a merchant unit.
5. There are no contracts upon which DEK is relying under paragraph 10 CFR 50.75(e)(1)(v) and there were no modifications to the current method of providing financial assurance since the last submitted report.
6. There are no annual funding amounts for KPS.
7. Trust Fund balances shown in this report are market value and after-tax on realized gains and losses. The Trust Fund balances have not been adjusted for unrealized gain or loss positions not currently taxable.
8. Since the previous annual submittal on March 31, 2017 (Serial No. 17-080, ADAMS Accession No. ML17100A308) there have been no changes to the Trust agreements established for nuclear decommissioning of KPS.

ADD
NRR

9. Remaining Decommissioning Estimated Cost is adjusted to reflect timing differences and higher costs during plant dormancy.

Additionally, in a submittal dated January 28, 2015 (Serial No. 15-001, ADAMS Accession No. ML 15034A312), Dominion Resources, Inc. (now known as Dominion Energy, Inc.) committed to provide ongoing information pertaining to its continuing ability to provide additional financial assurance by submitting, by March 31 of each year in connection with DEK's annual financial assurance status report; (1) information demonstrating the results of the financial test in either Paragraph II.A.1 or Paragraph II.A.2 of Appendix A to 10 CFR Part 30 for the immediately preceding calendar year, and; (2) a letter from its independent certified public accountant attesting to the data and accuracy of the financial test¹. This information is included in Attachments 1 and 2, respectively.

Please contact Mr. Craig D. Sly at (804) 273-2784 if you have any questions or require additional information.

Sincerely,



D. G. Stoddard
Senior Vice President and Chief Nuclear Officer
Dominion Energy Kewaunee, Inc.

Enclosure:

1. Decommissioning Funding Status Report for KPS Summary Information as of December 31, 2017

Attachments:

1. Financial Test for Year Ended December 31, 2017, Paragraph II.A.2 of Appendix A to 10 CFR Part 30
2. Deloitte & Touche LLP Attesting Letter of Accuracy of the Financial Test

Commitments made in this letter: None

cc: U. S. Nuclear Regulatory Commission
Region III
2443 Warrenville Road, Suite 210
Lisle, IL 60532-4352

Mr. T. H. Carter
NRC Senior Project Manager (KPS)
U. S. Nuclear Regulatory Commission, Mail Stop T-8 F5
Two White Flint North
11545 Rockville Pike
Rockville, MD 20852-2738

¹DEK is aware that the American Institute of Certified Public Accountants (AICPA) has informed the NRC that certified public accountants are precluded from issuing any form of report or assurance on matters related to solvency. (See ADAMS Accession No. ML 13094A316.)

Enclosure 1

Decommissioning Funding Status Report for KPS
Summary Information as of December 31, 2017

Kewaunee Power Station
Dominion Energy Kewaunee, Inc. (DEK)

Kewaunee Power Station
Decommissioning Funding Status Report as of December 31, 2017
Table I

Decommissioning Funding Status Report for KPS Summary Information as of December 31, 2017 10 CFR 50.82 (a)(8)(v)-(vii) (in millions)						
Decommissioning Trust Fund Balances				10 CFR Reference	50.82(a)(8)(v)(A)	50.82(a)(8)(vii)(A)
Fund Balance	Type of Trusts			Comments		
\$ 773.112	Qualified fund balance			As of:	12/31/2017	
\$ -	Non-qualified fund balance			As of:	12/31/2017	
\$ 134.960	Less costs incurred prior years but not yet billed to Trust			Actual Cost in:	As Spent	Dollars
\$ 638.152	Adjusted decommissioning fund balance			As of:	12/31/2017	
Other Financial Assurance Methods Being Relied Upon				10 CFR Reference	50.82(a)(8)(v)(A)	
None						
Prior Years Decommissioning Expenditures				10 CFR Reference	50.82(a)(8)(v)(A)	
Total	License Term	Spent Fuel Mgmt	Site Restoration	Comments		
\$ 48.542	\$ 9.062	\$ 39.480	\$ -	2017 Cost in:	2017	Dollars
\$ 203.298	\$ 93.642	\$ 109.656	\$ -	2012-2016 Cost in:	As Spent	Dollars
\$ 251.840	\$ 102.704	\$ 149.136	\$ -	Total Prior Year in:	As Spent	Dollars
Prior Year Expenditures - Variance to Estimated Escalated Cost				10 CFR Reference	50.82(a)(8)(v)(B)	
Total	License Term	Spent Fuel Mgmt	Site Restoration	Comments		
\$ 48.542	\$ 9.062	\$ 39.480	\$ -	Actual Cost in:	2017	Dollars
\$ 24.240	\$ 16.396	\$ 7.844	\$ -	NRC Auth. \$ in:	2017	Dollars
\$ 24.302	\$ (7.334)	\$ 31.636	\$ -			
Variance: License Termination and Spent Fuel Management due to delay in spent fuel pool off-load campaign.						
Remaining Decommissioning Estimated Cost ⁽¹⁾				10 CFR Reference	50.82(a)(8)(v)(B)	50.82(a)(8)(vii)(B)
Total ⁽²⁾	License Term	Spent Fuel Mgmt	Site Restoration	Comments		
\$ 828.393	\$ 473.044	\$ 317.081	\$ 38.268	Estimate in :	2018	Dollars
Decommissioning Criteria Upon Which the Estimate is Based				10 CFR Reference	50.82(a)(8)(v)(B)	
SAFSTOR						
Any Modification To Method of Providing Financial Assurance				10 CFR Reference	50.82(a)(8)(v)(C)	
None						
Any Material Changes To Trust Agreement Since Previous Report				10 CFR Reference	50.82(a)(8)(v)(D)	
None						
Need For Additional Financial Assurance				10 CFR Reference	50.82(a)(8)(vi)	50.82(a)(8)(vii)(C)
None				See Annual Cash Flow Analysis in Table II		
Inputs to Remaining Cost and Funding Analysis						
2018	Start year of analysis					
1.59%	Escalate study dollars from 2012\$ to Start Year of Analysis using CPI average (2012 to Start Year of Analysis)					
0.00%	Escalation rate		2018	& beyond		
2.00%	Fund growth rate		2018	& beyond (Reflects NRC allowed 2% Real Rate of Return)		
Annual expenditures	Projected annual expenditures - see Annual Cash Flow Analysis in Table II					
(1) Remaining Decommissioning Estimated Cost is adjusted to reflect timing differences and higher costs during plant dormancy.						
(2) Differences are due to rounding.						

Decommissioning Funding Status Report for KPS
Annual Cash Flow Analysis Starting January 1, 2018 through End of Decommissioning
10 CFR 50.82 (a)(8)(v)-(vii)
(In millions)

Year	Column 1 Beginning of Year Balance	Column 2 Earnings on Trust Funds (Reflects 2% RRoR)	Column 3 Remaining License Termination Expenditures (Reflects 0% Esc)	Column 4 Remaining Spent Fuel Mgmt Expenditures (Reflects 0% Esc)	Column 5 Remaining Site Restoration Expenditures (Reflects 0% Esc)	Column 6 Remaining SAFSTOR Expenditures (Reflects 0% Esc)	Column 7 End of Year Balance
2018	\$ 638,152	\$ 12,519	\$ 7,167	\$ 17,214	\$ -	\$ 24,381	\$ 626,290
2019	\$ 626,290	\$ 12,392	\$ 3,140	\$ 10,283	\$ -	\$ 13,424	\$ 625,258
2020	\$ 625,258	\$ 12,371	\$ 3,291	\$ 10,155	\$ -	\$ 13,446	\$ 624,183
2021	\$ 624,183	\$ 12,352	\$ 3,208	\$ 9,960	\$ -	\$ 13,168	\$ 623,367
2022	\$ 623,367	\$ 12,337	\$ 3,125	\$ 9,900	\$ -	\$ 13,025	\$ 622,679
2023	\$ 622,679	\$ 12,324	\$ 3,109	\$ 9,896	\$ -	\$ 13,004	\$ 621,998
2024	\$ 621,998	\$ 12,310	\$ 3,109	\$ 9,896	\$ -	\$ 13,004	\$ 621,304
2025	\$ 621,304	\$ 12,296	\$ 3,109	\$ 9,896	\$ -	\$ 13,004	\$ 620,596
2026	\$ 620,596	\$ 12,284	\$ 2,859	\$ 9,896	\$ -	\$ 12,754	\$ 620,126
2027	\$ 620,126	\$ 12,275	\$ 2,859	\$ 9,896	\$ -	\$ 12,754	\$ 619,646
2028	\$ 619,646	\$ 12,271	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 619,723
2029	\$ 619,723	\$ 12,273	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 619,801
2030	\$ 619,801	\$ 12,274	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 619,881
2031	\$ 619,881	\$ 12,276	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 619,962
2032	\$ 619,962	\$ 12,277	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 620,045
2033	\$ 620,045	\$ 12,271	\$ 3,102	\$ 9,896	\$ -	\$ 12,997	\$ 619,319
2034	\$ 619,319	\$ 12,264	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 619,389
2035	\$ 619,389	\$ 12,266	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 619,461
2036	\$ 619,461	\$ 12,267	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 619,534
2037	\$ 619,534	\$ 12,269	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 619,608
2038	\$ 619,608	\$ 12,270	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 619,684
2039	\$ 619,684	\$ 12,272	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 619,761
2040	\$ 619,761	\$ 12,273	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 619,840
2041	\$ 619,840	\$ 12,275	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 619,921
2042	\$ 619,921	\$ 12,276	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 620,003
2043	\$ 620,003	\$ 12,278	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 620,087
2044	\$ 620,087	\$ 12,280	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 620,172
2045	\$ 620,172	\$ 12,282	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 620,260
2046	\$ 620,260	\$ 12,283	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 620,348
2047	\$ 620,348	\$ 12,285	\$ 2,299	\$ 9,896	\$ -	\$ 12,194	\$ 620,439
2048	\$ 620,439	\$ 12,287	\$ 2,310	\$ 9,896	\$ -	\$ 12,206	\$ 620,520
2049	\$ 620,520	\$ 12,391	\$ 1,903	\$ -	\$ -	\$ 1,903	\$ 631,008
2050	\$ 631,008	\$ 12,601	\$ 1,903	\$ -	\$ -	\$ 1,903	\$ 641,706
2051	\$ 641,706	\$ 12,815	\$ 1,903	\$ -	\$ -	\$ 1,903	\$ 652,618
2052	\$ 652,618	\$ 13,033	\$ 1,903	\$ -	\$ -	\$ 1,903	\$ 663,749
2053	\$ 663,749	\$ 13,256	\$ 1,903	\$ -	\$ -	\$ 1,903	\$ 675,102
2054	\$ 675,102	\$ 13,483	\$ 1,903	\$ -	\$ -	\$ 1,903	\$ 686,681
2055	\$ 686,681	\$ 13,715	\$ 1,903	\$ -	\$ -	\$ 1,903	\$ 698,493
2056	\$ 698,493	\$ 13,951	\$ 1,903	\$ -	\$ -	\$ 1,903	\$ 710,541
2057	\$ 710,541	\$ 14,192	\$ 1,903	\$ -	\$ -	\$ 1,903	\$ 722,830
2058	\$ 722,830	\$ 14,438	\$ 1,903	\$ -	\$ -	\$ 1,903	\$ 735,364
2059	\$ 735,364	\$ 14,688	\$ 1,903	\$ -	\$ -	\$ 1,903	\$ 748,149
2060	\$ 748,149	\$ 14,944	\$ 1,903	\$ -	\$ -	\$ 1,903	\$

Table II Definitions:

Column 1:	Beginning of Year Balance: Reflects the beginning-of-year Trust Fund balance at a 0.0% cost escalation rate and a 2.0% Real Rate of Return (RRoR) on fund growth.
Column 2:	Earnings on Trust Funds: Reflects earnings on funds remaining in the Trust. A 2.0% RRoR Fund growth rate is used for 2018 through 2073 which reflects the allowed 2.0% RRoR over a 0.0% cost escalation rate. The annual 2.0% RRoR earnings are calculated on the beginning balance less 50% of the projected annual expenditure for each year.
Column 3:	Remaining License Termination Expenditures: Reflects the annual License Termination Plan cost portion at a 0.0% escalation rate from the Site Specific Estimate.
Column 4:	Remaining Spent Fuel Management Expenditures: Reflects the annual Irradiated Fuel Management Plan cost portion at a 0.0% escalation rate from the Site Specific Estimate. This column provides information related to funding for managing irradiated fuel as required by 10 CFR 50.82(a)(8)(vii).
Column 5:	Remaining Site Restoration Expenditures: Reflects the annual Site Restoration Plan cost portion at a 0.0% escalation rate from the Site Specific Estimate.
Column 6:	Remaining SAFSTOR Expenditures: Reflects the annual SAFSTOR Decommissioning Plan cost at a 0.0% escalation rate from the Site Specific Estimate.
Column 7:	End of Year Balance: Reflects the end of year Trust Fund balance after all projected earnings are added and all projected expenditures are deducted for the year specified at a 0.0% escalation rate and a 2.0% RRoR on fund growth.

Tables I and II General Notes: (Any minor differences in totals are due to rounding.)

- 1) The cost estimates contained in Tables I and II are obtained from revised site-specific cost and schedule tables that were provided in an update to the KPS Post-Shutdown Decommissioning Activities Report (Serial No. 14-116, ADAMS Accession No. ML 14118A382) dated April 25, 2014. Further revisions are made with this filing to reflect timing differences and higher costs during plant dormancy.
- 2) The Trust Fund Balance reflects market value on December 31, 2017, net of taxes on realized gains and losses.
- 3) The 2.0% RRoR is based on the rate allowed by 10 CFR 50.75(e)(1)(i) and 10 CFR 50.82(a)(8)(vi) and not on any order by a rate setting authority.
- 4) The funding method for providing financial assurance for decommissioning KPS remains prepayment. This cash flow analysis demonstrates that the amounts accumulated in the Trust are sufficient, with credited earnings at a 2.0% RRoR, to cover the estimated cost of radiological decommissioning, spent fuel management and site restoration.
- 5) By letter dated January 28, 2015 (ADAMS Accession No. ML 15034A312) DEK submitted a Commitment to establish a Parent Company Guarantee (PCG) and a Notice of Request to Discontinue an Existing Parent Support Agreement (PSA) from Dominion Resources, Inc. (DRI). The PCG provides additional financial assurance to address any potential shortfalls in decommissioning funding assurance for KPS, up to \$60 million. By letter dated December 14, 2015 (ADAMS Accession No. ML 15344A503), the NRC notified DEK that it had no objection to the cancellation of the \$60 million PSA, issued by DRI, for KPS.
- 6) The cash flow analysis in Table II shows that the funds accumulated in the Trust are sufficient, with credited earnings at a 2.0% real rate of return, to cover the estimated cost of radiological decommissioning, spent fuel management and site restoration.
- 7) On May 21, 2014 (ADAMS Accession No. ML 13337A287), the NRC granted DEK an exemption allowing the Trust to be used for spent fuel management costs.

Attachment 1

Financial Test for Year Ended December 31, 2017
Paragraph II.A.2 of Appendix A to 10 CFR Part 30

Kewaunee Power Station
Dominion Energy Kewaunee, Inc. (DEK)



March 15, 2018

FINANCIAL TEST FOR YEAR ENDED DECEMBER 31, 2017

Paragraph II. A.2 of Appendix A to 10 CFR Part 30

- A. Maximum Guarantee Amount for Facility License No. DPR-43: \$60 million
- B. Dominion Energy Inc. issued \$300,000,000 of 3 year unsecured senior notes December 6, 2017. The issuances were rated BBB by Standard and Poor's and Baa2 by Moody's at the time of settlement and maintain these ratings today.
- C. DEI's tangible net worth (millions of dollars):

Total Equity		\$19,370
Less:	Net Book Value of the Nuclear Facility and Site (KPS)	-
	Goodwill of the Nuclear Facility and Site (KPS)	-
(i) Total Net Worth		<u>\$19,370</u>
Less:	Goodwill	6,405
	Intangible Assets	<u>685</u>
(ii) Tangible Net Worth		<u>\$ 12,280</u>
	DEI Total Assets	\$ 76,585
	Less: Foreign Assets	-
	Total US Assets	<u>\$ 76,585</u>

FINANCIAL TESTS	YES	NO
1. Is line C (ii) at least \$21 Million?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Is line C (i) at least 6 times the guarantee amount of \$60 million?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. a. Are at least 90 percent of the firm's assets located in the U.S.?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
or,		
b. Is line C (i) at least 6 times the guarantee amount of \$60 million?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

4. a. Are bond ratings BBB (including +/- adjustments) or above as
issued by Standard and Poor's ☒ ☐
or,

b. Are bond ratings Baa (including +/- adjustments) or above as
issued by Moody's ☒ ☐

I hereby certify that the content of this Financial Test: Paragraph II.A.2 of Appendix A to 10
CFR Part 30 is true and correct to the best of my knowledge.



Senior Vice President Mergers & Acquisitions and Treasurer,
Dominion Energy, Inc.

Attachment 2

Deloitte & Touche LLP
Attesting Letter of Accuracy of the Financial Test

Kewaunee Power Station
Dominion Energy Kewaunee, Inc. (DEK)

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Dominion Energy, Inc.
Richmond, Virginia

We have performed the procedures enumerated below, which were agreed to by Dominion Energy, Inc. ("Dominion Energy"), as parent company of Dominion Energy Kewaunee, Inc., licensed operator of the Kewaunee Power Station, solely to assist the U.S. Nuclear Regulatory Commission in evaluating Dominion Energy's compliance with the financial test to demonstrate financial assurance for the year ended December 31, 2017, as specified in Appendix A, Part 30 of Title 10 of the U.S. Code of Federal Regulations (the "Financial Test"), dated March 15, 2018 from James Chapman, Senior Vice President Mergers & Acquisitions and Treasurer of Dominion Energy, Inc. and included as Attachment 1 to financial assurance letter for Dominion Energy Kewaunee, Inc. dated March 23, 2018 to the U.S. Nuclear Regulatory Commission (the "Financial Assurance Letter"). Dominion Energy's management is responsible for the Financial Test and compliance with the associated requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and related findings are as follows:

1. We compared the bond rating in Attachment 1 to Dominion Energy's Financial Assurance Letter to third-party sources, noting no differences.
2. We compared amounts identified as "Total Equity", "Goodwill", "Intangible Assets", and "DEI Total Assets" in Attachment 1 to Dominion Energy's Financial Assurance Letter to the corresponding amounts in Dominion Energy's audited consolidated financial statements as of December 31, 2017, on which we have issued our report dated February 27, 2018, noting no differences.
3. We compared amounts identified as "Net Book Value of the Nuclear Facility and Site (KPS)", "Goodwill of the Nuclear Facility and Site (KPS)", and "Foreign Assets" in Attachment 1 to Dominion Energy's Financial Assurance Letter to the corresponding amounts in a schedule prepared by Dominion Energy. We agreed the total shown in the schedule to the corresponding amount in Dominion Energy's audited consolidated financial statements as of December 31, 2017, on which we have issued our report dated February 27, 2018, noting no differences.

4. We recomputed the mathematical accuracy of the amounts identified as "Total Net Worth", "Tangible Net Worth", and "Total US Assets" in Attachment 1 to Dominion Energy's Financial Assurance Letter, noting no differences.

With respect to procedures outlined in Paragraph II.B of Appendix A, Part 30 of Title 10 of the United States Code of Federal Regulations, professional standards preclude us from providing any form of report or assurance on matters relating to solvency. Accordingly, no such form of report or assurance is provided.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance of the Financial Test. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the board of directors and management of Dominion Energy and Dominion Energy Kewaunee, Inc., and the U.S. Nuclear Regulatory Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 23, 2018