



LONG ISLAND LIGHTING COMPANY

SHOREHAM NUCLEAR POWER STATION
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VICE PRESIDENT - OFFICE OF CORPORATE SERVICES
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SNRC-1816

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Division of Advanced Reactors and Special Projects
Office of Nuclear Reactor Regulation
Document Control Desk
United States Nuclear Regulatory Commission
Washington, D.C. 20555

LILCO's Response To The Staff's
Request For Additional Information About
Decommissioning Funding (TAC No. 77272)
Shoreham Nuclear Power Station - Unit 1
Docket No. 50-322

Ref: LILCO (V.A. Staffieri) letter to NRC (T.E. Murley) dated
April 11, 1991; subject: LILCO's Response to the NRC
Staff's February 26, 1991 Letter Regarding Decommissioning
Funding.

Dear Mr. Crutchfield:

Here are LILCO's answers to your questions dated May 22, 1991.

1. LILCO is requested to provide the bases
for determining the magnitude and the adequacy
of the proposed 10 million dollar separate
contingency fund.

As LILCO indicated in its letter to the NRC of April 11, 1991,
Shoreham's circumstances are unusual. They do not reflect the
assumptions underlying 10 CFR §50.75. In Shoreham's
circumstances, decommissioning funding will reasonably be assured
(1) by the mechanisms of the Site Cooperation and Reimbursement
Agreement, dated January 24, 1990 (SRA Agreement) and (2) by the
ongoing commitment of the New York Public Service Commission
(PSC) to the effectuation of the Shoreham Settlement. See the
PSC letter of April 11, 1991, page 2.

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Against this background, the 10 million dollar separate contingency fund proposed in LILCO's April 11 letter was intended simply to supplement the assurances just described that Shoreham's decommissioning funding will be adequate. To quote LILCO's April 11 letter, the fund will be "further assurance" to the NRC "that there will be no shortfall of funds to decommission Shoreham." The 10 million dollar fund clearly is capable of providing such further assurance. The fund represents five percent of the Long Island Power Authority's projected overall cost of Shoreham decommissioning and more than a hundred percent of projected costs in any given month of the decommissioning project. Thus, the fund would supplement in a significant way the mechanisms of the Site Agreement and the PSC's commitment to effectuation of the Settlement Agreement.

More important, in LILCO's judgment, the 10 million dollar fund would also serve an important radiological health and safety function. This fund, segregated from LILCO assets and outside the Company's administrative control, would be more than adequate to place the Shoreham Nuclear Power Station in a safe condition pending the resumption of DECON activities, should they be temporarily interrupted due to unavoidable financial reasons.

In order to determine how decommissioning activities would be suspended and Shoreham placed in a radiologically secure condition, LILCO has postulated that the DECON process would be at its most active stage. Specifically, LILCO has assumed that:

- (a) The Reactor Pressure Vessel (RPV) dryer separation pool and cavity would be flooded and RPV segmentation underway.
- (b) Equipment, personnel and radwaste material processing would have been mobilized in the reactor building. Remote cutting equipment would have been installed within the RPV.
- (c) System dismantlement would be underway within the reactor building. Systems/equipment would be in the process of being dismantled, cut in sections, and boxed for removal.
- (d) Cutting equipment, containment control systems and radwaste handling equipment would be mobilized within the primary and secondary containment.

- (e) Decontamination of certain equipment/components would also be underway to decontaminate equipment/structures in lieu of removal/dismantlement.

Taking into account the DECON process during its most active stage, as just described, LILCO believes that the \$10,000,000 separate contingency fund would be more than adequate to take the following actions to place Shoreham in a radiologically secure condition, pending the resumption of decommissioning activities.

- (a) All contractors would secure work activities to a safe condition. Equipment would be either de-energized and secured or removed from the site.
- (b) RPV and wetted areas would be drained and dried for safe lay-up.
- (c) General areas would be decontaminated and Radiation Work Permits (RWPs) secured or withdrawn.
- (d) Piping and/or equipment in the process of dismantlement would be placed in a safe condition, with caps on pipe and equipment placed in a safe and secure location.
- (e) Radwaste material would be placed in appropriate packages for either storage or transport off-site.
- (f) Areas would be surveyed and posted.
- (g) Systems/equipment not required to keep Shoreham safely maintained would be de-energized and laid up for future use. Ventilation systems required would be placed into service and remain in service as required.
- (h) Maintenance staff would monitor the plant condition until reactivation of DECON Process.

2. LILCO should provide a discussion detailing what assurances the NRC will have that LILCO will continue to fully financially support LIPA and LIPA's Shoreham decommissioning efforts, if the current Site Cooperation and Reimbursement Agreement is found to be illegal or is otherwise invalidated.

In LILCO's judgment, it is highly unlikely that the Site Cooperation and Reimbursement Agreement will be invalidated. Thus, LILCO expects the Site Agreement to remain in place and function effectively throughout Shoreham's decommissioning.

In the remote eventuality that the Site Agreement were invalidated, LILCO believes that the invalidation would not rest on irremediable legal grounds. The parties to the Shoreham Settlement (in particular, LILCO, LIPA and the New York Power Authority) would promptly structure new arrangements to cure any legal problems found in the Site Agreement and to ensure the prompt, safe decommissioning of Shoreham in full compliance with NRC requirements.

In this regard, it is important to be clear that, were the Site Agreement to be invalidated on grounds irremediable as to LIPA, LILCO would then enter into an agreement with a third party designated by LIPA for the decommissioning of Shoreham, at LILCO's expense. To this end, the Amended and Restated Asset Transfer Agreement between LILCO and LIPA provides that, in the event LIPA cannot take Shoreham, "LILCO will enter into an agreement with a third party designated by LIPA pursuant to which Shoreham will be transferred to such third party on terms substantially similar to this Agreement."

Throughout any period needed to cure legal defects in the Site Agreement, to negotiate alternative arrangement, or to replace LIPA with a third party designated by it, LILCO will remain financially responsible for Shoreham, funding everything required to keep the plant at all times in full compliance with NRC requirements.

It is, of course, Shoreham's continued compliance with NRC requirements that is the real concern. LILCO does assure the NRC that, until such time as the plant has been decommissioned and NRC jurisdiction over it ended, LILCO itself will remain actively involved to ensure that full funding is available to comply with NRC requirements and to assist the Shoreham licensee as necessary in completing decommissioning pursuant to NRC approvals and regulations.

Finally, the New York Public Service Commission will continue to ensure that LILCO has sufficient funds to support Shoreham's continued compliance with NRC requirements through its decommissioning and license termination. To quote the June 20, 1991 letter to Mr. Crutchfield from the PSC's General Counsel:

First, the Commission expects the Site Cooperation and Reimbursement Agreement to remain fully in effect. Second, assuming hypothetically that the Site Agreement were to be invalidated, the Commission, in cooperation with the other parties, would use its best efforts to ensure that alternative means of decommissioning Shoreham were put in place promptly. Third, under any such arrangements, LILCO would remain responsible for funding the decommissioning. Finally, if LILCO enters into an arrangement with a third party designated by LIPA, as described in LILCO's answer to your questions, the Public Service Commission would remain committed to the effectuation of the Shoreham Settlement, including, as indicated in my letter of April 11, 1991, to Dr. Murley, taking the steps necessary to ensure LILCO's access to and recovery of funds necessary for decommissioning.

3. LILCO should provide a discussion explaining why compliance with 10 CFR §50.75 is an undue burden considering (1) LILCO's current unused line of credit and (2) pursuant to 10 CFR §50.75, the surety method or line of credit must be in place only for the planned 27 month decommissioning period.

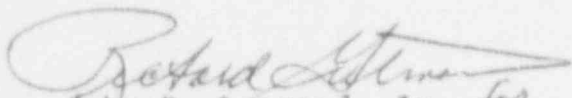
The "current unused line of credit" is not segregated from LILCO's assets and outside the Company's administrative control, as contemplated by 10 CFR §50.75. To acquire a \$186,000,000 line of credit and keep it in place for 27 months in the manner contemplated by §50.75, would cost LILCO's ratepayers approximately \$4,500,000, as best the Company can now determine. For the reasons set out in LILCO's April 11, 1991 "Response to the NRC Staff's February 26, 1991 Letter Regarding Decommissioning Funding," LILCO does not believe that this expenditure would be justified. In LILCO's judgment, neither law nor sound policy require the expenditure.

LILCO does believe, however, that it will have a largely (perhaps wholly) unused line of credit totalling \$300,000,000 during Shoreham's decommissioning. LILCO is willing to reserve part of this line of credit as a financial "failsafe" for decommissioning funding. The "failsafe" reserve would be enough at any time to cover estimated, yet-to-be-incurred decommissioning costs that are not otherwise guaranteed by the sum of (1) the three months' prepayment required by the Site Agreement and (2) the 10 million dollar separate contingency fund that LILCO has agreed to establish.

Comments of the Long Island Power Authority on your May 22 questions, if any, will be provided separately.

We will be happy to provide any further information that may be useful to you.

Very truly yours,



John D. Leonard, Jr. *for*
Vice President, Office of Corporate
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GJG/ab

cc: S. Brown
T. T. Martin
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