

THE STATE OF NEW HAMPSHIRE
NUCLEAR DECOMMISSIONING FINANCING COMMITTEE
DOCKET NO. NDFC 2000-1

PRELIMINARY REPORT AND ORDER NO. 4

SUMMARY

After considering the testimony, evidence and positions of the Parties, the Nuclear Decommissioning Financing Committee (NDFC or Committee) has determined that there has been no change in law, regulation or circumstances that would require an adjustment to the method of collection of the decommissioning fund. Based on the Stipulations of the Parties (Stipulations), agreed to by the Parties, the annual contribution to the decommissioning fund in 2001 will increase to \$19.1 million, from the \$18.4 million level required in 2000.

PROCEDURAL HISTORY

On May 18, 2000, the NDFC issued an Order of Notice opening this docket. The Order of Notice was published by North Atlantic Energy Service Corporation (North Atlantic), as required by the NDFC. On June 22, 2000, a pre-hearing conference was held at which appearances of Parties were accepted. The Parties agreed to a procedural schedule and stipulated the issues to be addressed in the docket. On that same date the NDFC held a public meeting, approved the procedural schedule, and adopted the stipulated issues as the scope of the docket. These actions were set forth in Order No. 1, dated July 12, 2000.

At the pre-hearing conference, North Atlantic was identified as lead company for the Seabrook Joint Owners, pursuant to NDFC Rule 102.09. On June 22, 2000, the NDFC granted intervener status to National Grid USA, Seacoast Anti-Pollution League,

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and the Public Utilities Commission Staff. (Order No. 1). On October 17, 2000, the NDFC issued Order No. 3, granting a motion to intervene from the Campaign for Ratepayer's Rights (CRR).

Pre-filed testimony was filed by North Atlantic and CRR. North Atlantic submitted pre-filed testimony of three witnesses, addressing each of the issues identified in Order No. 1. CRR submitted pre-filed testimony of one witness, addressing the issue of anticipated energy producing life of Seabrook.

On November 6, 2000, the NDFC issued a Notice of Public Hearing setting a public hearing date for November 9, 2000. The public hearing was held in Concord, NH at which time the Stipulations of the Parties were presented to the NDFC. The witnesses for North Atlantic and CRR were present and available to address questions concerning each point of the Stipulations.

STIPULATIONS OF THE PARTIES

On November 9, 2000, the Parties presented the NDFC with the Stipulations of the Parties. A copy of the Stipulations is incorporated into this Report and Order by reference, and included as Attachment 1. In the Stipulations, the Parties agreed that this docket should be limited to the issues identified in Order No. 1. At the hearing on November 9, 2000, and as part of the Stipulations, the Parties asserted their unanimous agreement that further hearing is unnecessary on any issue identified in Order No. 1 because there has been no change in the law, regulations or circumstances controlling decommissioning funding since the Final Report and Order of the NDFC in Docket 98-1. Further, the Parties agreed that adequate assurance exists for the collection of the Seabrook Station decommissioning fund, including the funding assurances by the

existing non-utility joint owners. The Parties also urged the NDFC to accept all pre-filed testimony, as supporting the joint positions set forth in the Stipulations. As a final matter, the Parties urged the NDFC to adjust the contributions to the decommissioning fund in 2001 to account for the increase in the decommissioning estimate, as provided by the Joint Owners in the March 2000 Seabrook Station Decommissioning Update. With that adjustment, the contribution required in 2001 would be \$19.1 million.

FINDINGS AND CONCLUSIONS

This docket was opened to determine whether law, regulations or circumstances have changed since 1998, and whether the collection or level of assurances for collection should be adjusted. Of particular interest to the NDFC was the funding assurance of non-utility owners, as New Hampshire proceeds with the restructuring of the electric utility industry. Since this docket was opened, the method for assuring funding by non-utility owners of the Seabrook Station has been recognized as appropriately addressed by the New Hampshire General Court, in the first instance, and by the NDFC after the General Court has had the opportunity to address the matter. Accordingly, the NDFC finds that the recommendation of the Parties, that the method and adequacy of funding by non-utility owners be deferred until 2001, is appropriate and is adopted by the NDFC. If the General Court does not act on this matter, the NDFC can revisit the matter in 2001. Therefore, the NDFC will defer its consideration of changes to address the further sale of Seabrook Station interests to non-utilities until the General Court determines whether it will act.

The NDFC considered the evidence presented, including the documents that the NDFC identified in Order No. 2 as accepted for Official Notice, and reviewed the terms of the Stipulations of the Parties. The NDFC also received testimony at the hearing on November 9, 2000, regarding the basis for the Stipulations. Based on this record, the NDFC finds that the Stipulations of the Parties accurately reflect the state of the law, regulations, and circumstances since the issuance of the Final Report and Order of the NDFC in Docket 98-1. The NDFC does note that the estimate of decommissioning funding requirement in 1998 dollars remains unchanged at \$518 million and the Committee will continue to reference that figure for the sake of continuity in presentation. At the same time, the Committee notes that the funding requirement when expressed in 2000 dollars is \$585,919,786, as provided by the Joint Owners in Attachment D3, Volume 2 of the Seabrook Station Decommissioning Update.

Accordingly, the NDFC finds that recommendations of the Parties, as set forth in the Stipulations of the Parties, should be accepted by the NDFC. This includes the recommendation that the NDFC be prepared to open a new docket in 2001 to address issues relating to non-utility ownership of Seabrook Station Unit I.

Based on the foregoing, it is hereby

ORDERED, that the Stipulations of the Parties is accepted as presented on November 9, 2000; and it is

FURTHER ORDERED, that the Nuclear Decommissioning Financing Fund for Seabrook Station I remains at \$513 million, in 1998 dollars, as reflected in the March 2000 Seabrook Station Decommissioning Update. In 2000 dollars, the fund requirement

is \$585.9 million, as reported in Attachment D3, Volume 2, of the Seabrook Station Decommissioning Update, March 2000; and it is

FURTHER ORDERED, that the funding schedule shall be revised to require that the total contributions for 2001 shall be at least \$19.1 million; and it is

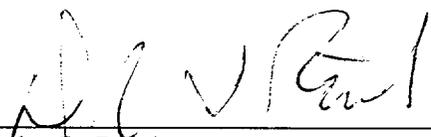
FURTHER ORDERED, that North Atlantic Energy Service Corporation file a revised funding schedule consistent with this Report and Order within thirty (30) days of the date of this Order; and it is

FURTHER ORDERED, that the Joint Owners of Seabrook Station Unit I and all subsequent owners of the facility who acquire any interest hereafter, are hereby required to make monthly payments into the Nuclear Decommissioning Financing Fund, in accordance with the schedule to be filed pursuant to this Order, after they have been reviewed and approved by the Committee, such approval to be set forth in a subsequent order of the NDFC; and it is

FURTHER ORDERED, that such payments shall commence on a date to be contained in a further order of the Committee after the proposed plan is finally adopted and approved by the Committee; and it is

FURTHER ORDERED, that North Atlantic shall continue to file Annual Decommissioning Updates in accordance with the provisions of the Committee's prior orders.

By Order of the Nuclear Decommissioning Financing Committee this 9th day of November, 2000.



Douglas L. Patch
Chairman

THE STATE OF NEW HAMPSHIRE
NUCLEAR DECOMMISSIONING FINANCING COMMITTEE

DOCKET NO. NDFC 2000-1

STIPULATIONS OF THE PARTIES

For the purposes of this docket only, and without prejudice to any party with respect to any future proceeding, all parties hereby stipulate to the following facts and other matters.

I. PARTIES AND WITNESSES

- 1.1 The Seabrook Joint Owners, other than National Grid USA, are parties to this docket and are represented by North Atlantic Energy Service Corporation (North Atlantic).
The other parties to this docket are National Grid USA (National Grid), Seacoast Anti-Pollution League (SAPL), the Public Utilities Commission Staff, and the Campaign for Ratepayers Rights (CRR).
- 1.2 North Atlantic pre-filed testimony of three witnesses: David C. Mercer, John B. Hart and Brad A. Jacobson.
- 1.3 CRR pre-filed testimony of Robert A. Backus, Esquire.
- 1.4 No other party submitted pre-filed testimony.

II. SCOPE AND ISSUES

- 2.1 The scope of this docket is limited to determining whether, due to a change in law or circumstances, the Nuclear Decommissioning Finance Committee (NDFC) should change the schedule for collection of the nuclear decommissioning financing fund, as established by the NDFC in NDFC Docket 98-1 Final Report and Order.
- 2.2 The issues to be considered in this docket were set forth in NDFC 2000-1 Order No. 1 to be:
 1. Anticipated energy producing life of Seabrook

2. The funding method
3. Adequate assurance of collection
4. Adequacy and accuracy of the estimate [limited to the years 2015 vs. 2026]
5. Escalation and contingency factors [accepting escalation funding for this docket]
6. Impact of restructuring in New Hampshire
 - a. Funding assurances by non-utility joint owners
7. Changes in tax laws
8. Changes in State & Federal laws
9. Changes in regulatory requirements
10. Availability of low level radioactive waste (LLRW) disposal facilities
11. Status of decommissioned commercial nuclear reactors in U.S.

III. TESTIMONY

3.1 North Atlantic witness DAVID C. MERCER pre-filed testimony addressing issues 1, 4, 5, 9, 10 and 11. In summary, his position on each issue is as follows.

3.1.1 Issue No. 1 – Anticipated energy producing life of Seabrook

North Atlantic anticipates that the plant will continue to produce energy to at least the current expiration date of its operating license in October 2026, a total of thirty-six years. The history of premature plant closings to date does not have any bearing upon the question of whether or not Seabrook Station can be expected to achieve its full licensed life, and that the plant must be evaluated on its own merits. No plant closings have been announced since July 1998.

In regard to the steam generators, there have been no indications of stress corrosion cracking, pitting, or other corrosive attack that has been encountered in plants with earlier design steam generators. North Atlantic does not believe that steam

generator performance will be a factor in determining the anticipated energy producing life of Seabrook Station.

3.1.2 Issue No. 4 – Adequacy and accuracy of the estimate [limited to the years 2015 vs. 2026]

It is reasonable to continue to apply the last site-specific cost estimate that was addressed by the NDFC in Docket 98-1, subject to the revised estimates for spent fuel storage costs (reflected in North Atlantic's March 2000 annual update), pending completion of the March 2002 comprehensive update.

3.1.3 Issue No. 5 – Escalation and contingency factors [accepting escalation funding for this docket]

There have been no changes to either the cost escalation methodology, or the methodology for the two special contingencies, agreed to in 1996. These same methodologies have been applied in North Atlantic's March 2000 annual update. There have been no increases in previous estimates for escalation and no significant changes in contingency factors.

3.1.4 Issue No. 9 – Changes in regulatory requirements

There have been no changes in regulatory requirements since the March 1999 Seabrook Station decommissioning update. It is unlikely that any current emerging regulatory changes could impact Seabrook Station decommissioning cost studies any sooner than the March 2002 comprehensive update.

3.1.5 Issue No. 10 – Availability of low level radioactive waste (LLRW) disposal facilities

The Barnwell LLRW disposal site has been used only as a proxy for whatever site might be available when the time comes because it will be phased-out by 2008.

Until a LLRW disposal site is selected historical cost information suggests the current costs and cost escalation assumptions are reasonable for funding planning purposes.

3.1.6 Issue No. 11 – Status of decommissioned commercial nuclear reactors in U.S.

Table 2 of the March 2000 update reflects the status of decommissioned commercial nuclear reactors. No additional plants have been added since the March 1999 update. North Atlantic has reviewed recent NRC information concerning decommissioned reactors, and finds no issues that would impact the March 2000 update.

- 3.2 North Atlantic witness JOHN B. HART pre-filed testimony addressing issues 3, 6 and 8. In summary, his position on each issue is as follows.

3.2.1 Issue No. 3 – Adequate assurance of collection

The joint ownership agreement specifically recognizes the obligation of Seabrook Station's owners to provide decommissioning funding in accordance with the provisions of RSA Chapter 162-F. All joint owners are in compliance with current NRC funding assurance requirements. There is adequate assurance of collection of decommission funding.

3.2.2 Issue No. 6 – Impact of restructuring in New Hampshire

NHPUC's 19 April 2000 Order No. 23,443 in Docket No. DE 99-099 imposes certain conditions related to the treatment of the Seabrook Station decommissioning liability. While this matter is still pending, it will not affect the schedule of decommission funding in the current proceeding.

Issue No. 6a – Funding assurances by non-utility Joint Owners

All of the joint owners are in compliance with funding assurance requirements. In addition, the NHPUC has ordered that the risk of any increases in the estimated cost

to decommission Seabrook Station, above that in effect at the time of the sale of NAEC's share, be assumed by the new owner. Therefore, there are reasonable funding assurances for the non-utility joint owners.

3.2.3 Issue No. 8 – Changes in State and Federal laws

There have been no changes in State and Federal laws directly impacting North Atlantic's March 2000 decommissioning update or testimony.

3.3 North Atlantic witness BRAD A. JACOBSON pre-filed testimony addressing issues 2 and 7. In summary, his position on each issue is as follows.

3.3.1 Issue No. 2 – The funding method

It is appropriate to continue funding on an escalated basis. The currently approved funding schedule is overly conservative and should be changed to reflect completion of funding by 2015, with an assumption that decommissioning will begin in 2026.

3.3.2 Issue No. 7 – Changes in tax laws

There have been no changes to tax laws, which would impact the decommissioning funding schedules, since the conclusion of proceeding NDFC 98-1.

3.4 CRR witness ROBERT A. BACKUS pre-filed testimony addressing issue 1. In summary, his position on this issue is as follows.

3.4.1 Issue No. 1 – Anticipated energy producing life of Seabrook

The anticipated energy producing life should remain unchanged at this time. This proceeding is a limited one, and was not intended to result in a review of the major policy changes made in the 1998 proceeding. The recent sale of nuclear plants, most at drastically discounted prices, indicates nothing about the likelihood of any of them

operating for their 40-year licensed lives. License extensions, as well as the original 40-year license, do not indicate what the actual life of the plant will be.

Neither global warming nor the Kyoto Convention appears to have played any role in decisions to seek license extensions, or in acquisitions of nuclear plants. The issue of permanent storage of high level nuclear waste remains unresolved, and may cause the early shutdown of nuclear plants. North Atlantic cannot offer any assurance that steam generator tube cracking will not emerge, causing the early closure of the plant.

Accelerating the funding based on an assumed 25-year operational life, in addition to applying escalation and contingency factors, will provide the appropriate conservatism to provide adequate decommissioning funding.

IV. EXHIBITS

4.1 The parties agree the following data responses should be accepted by the NDFC as exhibits in this docket. Each referenced data response is attached to this stipulation.

4.1.1 North Atlantic (NAESCO) Responses to Data Requests, Set #1 (9/11/00 & 9/18/00) NDFC Docket 2000-1, filed September 25, 2000.

4.1.2

V. STIPULATIONS

The parties stipulate the following:

5.1 The scope of this docket is limited, as set forth in sections 2.1 and 2.2, above.

5.2 Adequate assurance of collection of the decommissioning fund exists at the present time.

5.3 The escalation factor has not increased and there have been no significant changes in contingency factors used in calculating the level of funding and payment schedules.

- 5.4 Nothing about the status of restructuring in New Hampshire, since the issuance of NDFC Docket No. 98-1 Final Report and Order or other matters related to decommissioning, would require a change in the method or level of collection of the decommissioning fund at the present time.
- 5.5 The funding assurances by the existing non-utility joint owners are adequately addressed for the present. Any changes in the funding assurances resulting from future transfer of Seabrook Station interests to non-utility owners should be addressed by amending RSA 162:F, or, if not so addressed, should be addressed by the NDFC at the next proceeding. A party, or other concerned member of the public, may file a request for the NDFC to open a new docket for this purpose.
- 5.6 There have been no changes in tax laws since the issuance of NDFC Docket No. 98-1 Final Report and Order that require a change in the method or level of collection of the decommissioning fund at the present time.
- 5.7 There have been no changes in state or federal laws since the issuance of NDFC Docket No. 98-1 Final Report and Order that require a change in the method or level of collection of the decommissioning fund at the present time.
- 5.8 There have been no changes in state or federal regulatory requirements since the issuance of NDFC Docket No. 98-1 Final Report and Order that require a change in the method or level of collection of the decommissioning fund at the present time.
- 5.9 There has been no change in the availability of low level radioactive waste (LLRW) disposal facilities, since the issuance of NDFC Docket No. 98-1 Final Report and Order, that require a change in the method or level of collection of the decommissioning fund at the present time.

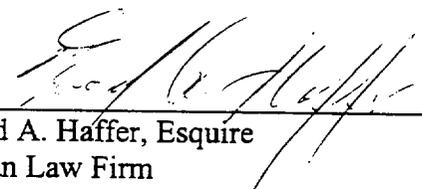
- 5.10 Nothing about the status of decommissioned commercial nuclear reactors in the United States, since the issuance of NDFC Docket No. 98-1 Final Report and Order related to decommissioning, would require a change in the method or level of collection of the decommissioning fund at the present time.
- 5.11 The NDFC should accept the pre-filed testimony, as filed.
- 5.12 NDFC Docket No. 98-1 Final Report and Order determined that a review of that order should be conducted in 2000 to determine the appropriateness of the funding approach "in terms of NRC regulations, tax law changes, and New Hampshire restructuring decisions." [Order at 41.] It has been established that divestiture of Seabrook Station may be undertaken as part of industry restructuring and, to that end, revision of New Hampshire law will be necessary. The parties request that the NDFC consider commencing a new docket as soon as possible after the enactment of relevant statutes, should that be necessary to implement the substance of the statutes.
- 5.13 Contributions to the fund in 2001 should be adjusted to account for the increase in the decommissioning estimate as provided in the March 2000 Seabrook Station Decommissioning Update. Accordingly, the total contribution required for 2001 will be \$ 19.1 million, unless adjusted by the NDFC, or as permitted under RSA 162-F:22, I.

November 9, 2000

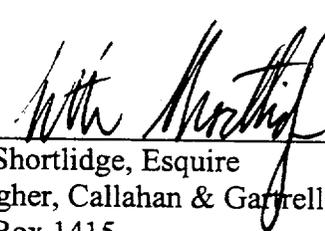
Respectfully submitted,

NORTH ATLANTIC ENERGY
SERVICE CORPORATION

NATIONAL GRID USA

By: 

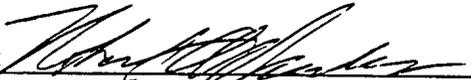
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