

May 4, 2001

Mr. Michael R. Kansler
Senior Vice President and
Chief Operating Officer
Entergy Nuclear Indian Point 2, LLC,
and Entergy Nuclear Operations, Inc.
440 Hamilton Avenue
White Plains, NY 10601

SUBJECT: SUPPLEMENT TO REQUEST FOR ADDITIONAL INFORMATION REGARDING
LICENSE TRANSFER APPLICATION - INDIAN POINT NUCLEAR
GENERATING UNIT NOS. 1 AND 2 (TAC NOS. MB0743 AND MB0744)

Dear Mr. Kansler:

On December 12, 2000, Consolidated Edison Company of New York, Incorporated (Con Edison), Entergy Nuclear Indian Point 2, LLC (Entergy Nuclear IP2), and Entergy Nuclear Operations, Inc. (ENO) filed an application to the U.S. Nuclear Regulatory Commission (NRC) seeking, pursuant to 10 CFR 50.80, the approval of the transfer of Facility Operating License No. DPR-5 for Indian Point Nuclear Generating Unit No. 1 and Facility Operating License No. DPR-26 for Indian Point Nuclear Generating Unit No. 2 from Con Edison to Entergy Nuclear IP2 and ENO.

In a letter dated March 1, 2001, the NRC requested that Con Edison provide additional information in order for the staff to complete its review of the December 12 application. In letters dated April 12 and 16, 2001, Con Edison and Entergy Nuclear IP2/ENO responded, respectively, to the request for additional information (RAI). After reviewing the information in the letters, the staff has determined that further information is needed. The information requested by the staff is addressed in the enclosed supplement to the earlier RAI. In a telephone conversation with representatives of your staff on May 2, 2001, the NRC obtained agreement that the additional information requested would be provided within 30 days from the date of this letter.

If you have any questions regarding this matter, please contact me at (301) 415-1457.

Sincerely,

/RA/

Patrick D. Milano, Senior Project Manager, Section 1
Project Directorate I
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Docket Nos. 50-003 and 50-247

Enclosure: Supplemental RAI

cc w/encl: See next page

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Accession No. ML011020287

OFFICE	PM:PDI-1	LA:PDI-1	R:RGEB	SC:RGEB	OGC	SC:PDI-1
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May 4, 2001

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SUPPLEMENT TO REQUEST FOR ADDITIONAL INFORMATION

REGARDING LICENSE TRANSFER APPLICATION

INDIAN POINT NUCLEAR GENERATING UNIT NOS. 1 AND 2

DOCKET NOS. 50-003 AND 50-247

Pursuant to 10 CFR 50.33(f)(4), and consistent with previous Commission positions regarding evaluation of financial qualifications in license transfer applications¹, the NRC staff has identified the following questions or concerns that require clarification or additional information in order for the NRC staff to complete a review:

1. In a request for additional information (RAI) dated March 1, 2001, the NRC requested justification for Entergy Nuclear IP2's use of an 85 percent capacity factor in its financial projections provided in the application in light of a historical average of about 66 percent for the years 1994-1999. In a response dated April 16, 2001, Entergy Nuclear IP2 and ENO stated, "The historical IP2 capacity factor is unlikely to represent future performance. Entergy is an experienced nuclear operator with a corporate commitment to maintaining and improving its core competency in nuclear operations. Entergy has been increasing the scale of its nuclear operations, in part based upon its significant successful experience in improving the operation of nuclear power stations. Under Entergy management, the operations of Indian Point 2 (IP2) would be expected to improve to a level approximating Entergy's performance unless there was a technological (e.g., design basis) or operational (e.g. environmental) restriction which prevented the improvement." Entergy Nuclear IP2 and ENO further stated that, recent capital improvements made by Con Edison would enable it to achieve the assumed 85 percent capacity factor. Additionally, the response indicated that low capacity factors in 1995 and 1997 were the result of lengthy refueling outages.

The staff assumes that the term "Entergy" in this response refers essentially to subsidiaries of Entergy Corporation other than Entergy Nuclear IP2 and ENO, which have little or no history. Provide specific information regarding the intended management practices, which Entergy Corporation subsidiary licensees have applied successfully at other facilities, that Entergy Nuclear IP2 and ENO intend to apply at IP2 to achieve the assumed performance improvement. Provide any other reasons why the record and/or experience of other Entergy Corporation subsidiaries owning and operating other plants, but which are not the proposed transferees for IP2, are relevant to establishing a basis for the expected capacity factor for IP2.

2. The NRC staff notes that, assuming that closing of the sale were to occur in June 2001, the financial projections provided through 2005 do not cover a full 5-year period. Provide financial projections, including revenue, operating and maintenance expenses, and balance sheet, into 2006 to complete the first full 5-year operating period.

¹ *North Atlantic Energy Service Corp.* (Seabrook Station, Unit 1), CLI-99-06, 49 NRC 201, 219-21 (1999); *GPU Nuclear, et. al.* (Oyster Creek Nuclear Generating Station), CLI-00-06, 51 NRC 197 (2000).

3. In its March 1 RAI, the NRC requested that applicants provide a copy of the detailed decommissioning funding calculations (based on NUREG-1307, Revision 9, and including assumptions used), which demonstrate that the proposed \$430 million decommissioning fund transfer will meet the requirements of 10 CFR 50.75 for both IP1 and IP2. Neither the April 12 or 16, 2001, RAI responses provided the requested calculations. However, in the April 16 response Entergy Nuclear IP2 and ENO did state that the calculations assumed a “period of cost escalation and earnings growth through the end of license of IP3 (December 2015),” and provided a brief description of the calculations performed in terms of the inflation rate assumed and the calculation results. The requirements of 10 CFR 50.75(e)(1)(i) specifically state that financial assurance for decommissioning by prepayment be “such that the amount of funds would be sufficient to pay decommissioning costs at the time termination of operation is expected.” The IP2 license is currently set to expire on September 28, 2013.

The IP1 decommissioning plan, which was accepted by the NRC in 1996, calls for the IP1 facility to be maintained in a safe storage condition until the adjacent IP2 unit is also decommissioned.

Therefore, the appropriate period for cost escalation and earnings growth in the decommissioning funding calculations for both IP1 and IP2 is only through the end of the third quarter of 2013. Demonstrate that the proposed \$430 million decommissioning fund transfer will meet the requirements of 10 CFR 50.75(e)(1)(i) at the time termination of IP2 operation is expected.