

EDO Principal Correspondence Control

FROM: DUE: 08/17/01 EDO CONTROL: G20010325
DOC DT: 07/25/01
FINAL REPLY:

K. S. Canady
Duke Energy Corp.

TO:
Jesse Funches, CFO

FOR SIGNATURE OF : ** GRN ** CRC NO:
Thadani

DESC: ROUTING:
Mixed Oxide Fuel Project Research Costs
Travers
Paperiello
Kane
Norry
Craig
Burns/Cyr
Virgilio, NMSS
Reyes, RII
Collins, NRR
Funches, CFO

DATE: 08/01/01
ASSIGNED TO: RES CONTACT: Thadani

SPECIAL INSTRUCTIONS OR REMARKS:
Assigned to RES per Rabideau, CFO.
Coordinate response with CFO.

Template - EDO-001

E-Reds EDO-01



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Ken S. Canady
Vice President
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July 25, 2001
MOX-161

Mr. Jesse L. Funches
Chief Financial Officer
U. S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Subject: Mixed Oxide Fuel Project Research Costs
McGuire Nuclear Station – Docket Nos. 50-369, 50-370
Catawba Nuclear Station – Docket Nos. 50-413, 50-414

Reference: Letter, Funches, J. L. (Nuclear Regulatory Commission) to Priory, R. B. (Duke Energy), June 25, 2001

Dear Mr. Funches:

In the referenced letter you informed Duke Energy that the Nuclear Regulatory Commission (NRC) intends to charge fees under 10 CFR 170 for review and research activities that are related to the use of mixed oxide (MOX) fuel in commercial nuclear power plants. You further stated that you anticipate including research costs related to the use of MOX fuel in 10 CFR 170 invoices to Duke Energy beginning in the last quarter of fiscal year 2001.

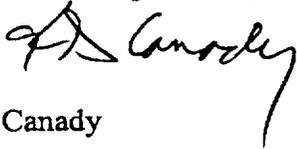
As you are aware, Duke Energy's proposed use of MOX fuel at McGuire and Catawba is part of the United States Government's program to dispose of surplus weapons-usable plutonium. Duke Energy is working as a subcontractor to Duke COGEMA Stone & Webster, LLC (DCS), and DCS is under contract to the Department of Energy (DOE). Costs associated with the MOX Fuel Project, including NRC fees, are funded by DOE. Funding for the MOX Fuel Project is closely monitored and is provided through the annual government appropriation process. Therefore, it is important that MOX Fuel Project costs, including NRC fees, be controlled carefully and be known to a reasonable certainty in advance to allow for budget formulation and execution.

There is a substantial experience base associated with the use of MOX fuel in European commercial nuclear power plants that are similar to McGuire and Catawba. Your letter indicates that NRC intends to carry out confirmatory research activities associated with MOX fuel use in United States commercial nuclear power plants, and to charge fees to Duke Energy to cover those costs. However, your letter does not indicate the scope, cost, or schedule of the anticipated research program. Duke Energy has considerable experience with nuclear safety and performance research programs, including cooperative research programs with the NRC. That experience shows that such programs must start with a well-defined scope, cost, and schedule baseline in order to be successful. Furthermore, as discussed above, cost and schedule information is needed for MOX Fuel Project budget planning purposes.

July 25, 2001, Nuclear Regulatory Commission, p. 2

The plutonium disposition program is an important nuclear nonproliferation initiative that will enhance national and international security. Duke Energy looks forward to working with NRC to ensure that MOX Fuel Project activities are carried out in a manner that protects the health and safety of the public. Concerning confirmatory NRC research associated with MOX fuel use, Duke Energy, DOE, and Framatome ANP need to better understand the research activities that NRC considers necessary to support the regulatory review process. This understanding should include the scope, cost, and schedule for that research. To this end Duke Energy proposes a meeting among the affected organizations at the earliest opportunity in order to discuss these topics.

Please contact Steve Nesbit, the Duke Power MOX Fuel Project Manager, at (704) 382-2197 to discuss matters pertaining to the use of MOX fuel at the McGuire and Catawba reactors.



K. S. Canady

SPN/

cc: R. Y. Lee (NRC-Office of Nuclear Regulatory Research)
R. E. Martin (NRC-Office of Nuclear Reactor Regulation)
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