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July 27, 2001

50-443

HAND DELIVERED

Douglas Patch, Chairman  
Nuclear Decommissioning Financing Committee  
NH Public Utilities Commission  
8 Old Suncook Road  
Concord, NH 03301

Re: NDFC 2001-1

Dear Chairman Patch:

I enclose Exhibit 17 (response to record request for comparison of two cost runs with different escalation factors) and Exhibit 22 (response to record request for clarification of insurance coverage for emergency or unanticipated premature shutdown).

Sincerely,

A handwritten signature in cursive script, reading "Edward A. Haffer".

Edward A. Haffer

EAH/Imm  
Enclosure

cc (w/enc.): Service List  
State Library

1001  
11

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**Nuclear Decommissioning Financing Committee Docket 2001-1  
NDFC Hearing Record Request -**

**Exhibit #17**

**Impact of Escalation on Decommissioning Cost**

| <b><u>Year</u></b> | <b><u>Assume 2026 Decommissioning<br/>Cost Escalation Assumptions</u></b> |                     |                     | <b><u>Assume 2015 Decommissioning<br/>Cost Escalation Assumptions</u></b> |                     |                     |
|--------------------|---|---------------------|---------------------|---|---------------------|---------------------|
|                    | <b><u>4.25%</u></b>   | <b><u>4.75%</u></b> | <b><u>5.25%</u></b> | <b><u>4.00%</u></b>   | <b><u>4.50%</u></b> | <b><u>5.00%</u></b> |
| 2001               | 555,538   | 555,538             | 555,538             | 560,974   | 560,974             | 560,974             |
| 2002               | 579,148   | 581,926             | 584,704             | 583,412   | 586,217             | 589,022             |
| 2003               | 603,762   | 609,567             | 615,400             | 606,749   | 612,597             | 618,473             |
| 2004               | 629,422   | 638,522             | 647,709             | 631,019   | 640,164             | 649,397             |
| 2005               | 656,172   | 668,852             | 681,714             | 656,260   | 668,971             | 681,867             |
| 2006               | 684,060   | 700,622             | 717,504             | 682,510   | 699,075             | 715,960             |
| 2007               | 713,132   | 733,902             | 755,173             | 709,811   | 730,533             | 751,758             |
| 2008               | 743,440   | 768,762             | 794,819             | 738,203   | 763,408             | 789,346             |
| 2009               | 775,036   | 805,278             | 836,547             | 767,731   | 797,761             | 828,813             |
| 2010               | 807,975   | 843,529             | 880,466             | 798,440   | 833,660             | 870,254             |
| 2011               | 842,314   | 883,596             | 926,690             | 830,378   | 871,175             | 913,767             |
| 2012               | 878,113   | 925,567             | 975,342             | 863,593   | 910,378             | 959,455             |
| 2013               | 915,433   | 969,532             | 1,026,547           | 898,137   | 951,345             | 1,007,428           |
| 2014               | 954,338   | 1,015,584           | 1,080,441           | 934,062   | 994,155             | 1,057,799           |
| 2015               | 994,898   | 1,063,825           | 1,137,164           | 971,425   | 1,038,892           | 1,110,689           |
| 2016               | 1,037,181   | 1,114,356           | 1,196,865           |   |                     |                     |
| 2017               | 1,081,261   | 1,167,288           | 1,259,700           |   |                     |                     |
| 2018               | 1,127,215   | 1,222,734           | 1,325,835           |   |                     |                     |
| 2019               | 1,175,121   | 1,280,814           | 1,395,441           |   |                     |                     |
| 2020               | 1,225,064   | 1,341,653           | 1,468,702           |   |                     |                     |
| 2021               | 1,277,129   | 1,405,381           | 1,545,808           |   |                     |                     |
| 2022               | 1,331,407   | 1,472,137           | 1,626,963           |   |                     |                     |
| 2023               | 1,387,992   | 1,542,064           | 1,712,379           |   |                     |                     |
| 2024               | 1,446,982   | 1,615,312           | 1,802,279           |   |                     |                     |
| 2025               | 1,508,478   | 1,692,039           | 1,896,899           |   |                     |                     |
| 2026               | 1,572,589   | 1,772,411           | 1,996,486           |   |                     |                     |

**NDFC Docket 2001-1**  
**Response to Record Request Regarding NEIL Insurance Coverage for**  
**Decommissioning Costs**  
**Exhibit 22**

The Joint Owners carry insurance under two policies with Nuclear Electric Insurance Limited (NEIL) that are pertinent to plant decommissioning costs. The policies are intricate. What follows is a highly simplified summary of their key terms. The first policy is for "primary" coverage, up to \$500 million, on property damage and decontamination liability caused by an accident. The second policy is "excess" coverage, from \$500 million to \$2.75 billion, on decontamination liability, decommissioning liability, and excess property damage caused by an accident. As to decommissioning liability specifically, there must be accidental property damage that exceeds \$500 million and that results in permanent cessation of nuclear operations. Before any decommissioning liability coverage is paid, however, the insurance must first be applied to cover expenses for nuclear liability, i.e., expenses necessarily incurred following such an accident to protect the public health and safety under Federal law<sup>1</sup>. The excess policy has provisions for the insurer to pay to the decommissioning trust fund any shortfall between the trust fund balance at the time of settlement and the costs projected to be needed to complete decommissioning at the time of settlement. Projected decommissioning costs are those presented in a Decommissioning Target Document. The policy defines this as the document that the insured would submit to the NRC in estimating the cost of decommissioning after such an accident. Under the current NRC regulations, this document would be the Post Shutdown Decommissioning Activities Report (PSDAR). A typical PSDAR would explain the planned scope and schedule for decommissioning and the projected costs, including the total site-specific cost estimate, and component costs such as those for site restoration and those associated with spent fuel. The policy states that the Decommissioning Target Document is subject to the approval of the insurer.

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<sup>1</sup> This is interpreted to mean those costs required to place the plant in a safe and stable condition following an accident and could involve the removal of debris associated with an accident and some decontamination activities.