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John R. McGaha
President

CNRO-2002-00044

July 25, 2002

50-313
50-368
50-382
50-458

Mr. Samuel J. Collins
Director, Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Mail Stop O-5E7
One White Flint North
11555 Rockville Pike
Rockville, MD 20852-2738

SUBJECT: Decommissioning Funding Questions

Dear Mr. Collins:

Pursuant to our recent communications, you have asked that I submit a succinct summary of Entergy's questions concerning compliance with NRC regulations on decommissioning funding. My staff has recently provided your staff with some detailed questions. Our primary policy-level questions may be summarized as follows:

1. Our interpretation of 10 C.F.R. §50.75(e)(1)(ii), related regulatory guidance, and the letter from Chairman Meserve to Entergy Operations, Inc., dated May 11, 2001, is that the use of an external sinking fund is one of several methods for providing reasonable assurance that adequate decommissioning funding will be available to pay decommissioning costs at the expected time of termination of operation of a nuclear plant. Funding of the external sinking fund is to be based on the licensed life of the plant. The effect of potential life extension in decommissioning funding calculations is not to be credited unless and until the licensee has actually received an approved license extension. Only then can reasonable assurance be based on a potential life beyond the initial licensed life, and only then can the funding of the sinking fund be altered based on an assumed life extension. As indicated in my letter to Chairman Meserve dated March 26, 2001, the Arkansas Public Service Commission has ordered a deviation from this requirement in the case of Arkansas Nuclear One, Unit 2, and the Louisiana Public Service Commission may soon follow suit in the case of River Bend. Our question is: What is the NRC's approach to a situation where a rate regulator has ordered a schedule for decommissioning collections for an external sinking fund that appears to conflict with applicable federal regulations?
2. What assumptions and calculations are acceptable to the NRC to meet the reasonable assurance requirement that adequate decommissioning funding will be available at the end of plant life? If the 2% real rate of return on decommissioning funds prescribed by 10 C.F.R. §50.75(e)(1)(ii) is used, the results can obviously be

Pool

dramatically different than if other methods and assumptions are used. Likewise, if a rate regulator issues an order to *curtail* collection of funding needed to support the sinking fund approach, is it valid to assume that increased rates of return can be used to justify this decision? If the same rate regulator's decision is based on an assumption that the sinking fund funding, once curtailed, may be resumed later in the current licensed life, and such decision is counting on a license and life extension to provide reasonable assurance of adequate funding, is this decision consistent with NRC regulations where a license extension has not yet been approved?

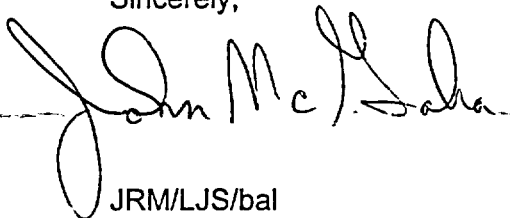
In our telephone conversation of July 17, we agreed on the following course of action:

1. Your staff will work with mine on communicating a common understanding of the above questions.
2. The NRC will schedule a meeting to review/discuss the NRC Staff's position on these questions. Appropriate stakeholders, including state public service commission staffs, would be notified of the meeting to ensure that all interested parties can participate in the discussions.

I look forward to attending the meeting described above and to resolving our concerns on how to comply with the NRC's regulations on decommissioning funding.

If we can provide you with any additional information, please contact Mr. Jager Smith at 601-368-5572. Thank you for your attention to this important matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "John McLaughlin". The signature is written in a cursive, flowing style. Below the signature, the text "JRM/LJS/bal" is printed.

JRM/LJS/bal

cc:

See next page

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cc: Mr. C. G. Anderson (N-GSB)
Mr. J. L. Blount (M-ECH-62)
Mr. W. A. Eaton (G-ESC-VPNO)
Mr. P. D. Hinnenkamp (R-GSB-40)
Mr. N. S. Reynolds (W&S)
Mr. L. Jager Smith (Wise, Carter)
Mr. G. J. Taylor (M-ECH-65)
Mr. J. E. Venable (W-GSB-300)
Mr. G. A. Williams (M-ECH-579)

Mr. James M. Field, Chairman, Louisiana PSC
Ms. Sandra L. Hochstetter, Chairman, Arkansas PSC

Mr. T. W. Alexion, NRC Project Manager, (ANO-2)
Mr. D. H. Jaffe, NRC Project Manager, (GGNS)
Mr. N. Kalyanam, NRC Project Manager, (W-3)
Mr. E.W. Merschoff, NRC Administrator, Region IV
Mr. W. D. Reckley, NRC Project Manager, (ANO-1)
Mr. M. K. Webb, NRC Project Manager, (RBS)