

From: Robert Wood *NRR*
To: *NRR* Barry Zalcman, Cynthia Carpenter, David Matthews, Scott Newberry, Tad Marsh } *NRR*
Date: 1/30/01 10:09AM
Subject: Pebblized Bed Reactor

John Matthews from Morgan, Lewis, and Bockius called today to discuss financial issues related to the potential application for a pebbled bed reactor license. He is concerned about several financial-related issues that could have implications for the economics of the reactor:

(1) With respect to decommissioning, he is concerned that the current regulations in § 50.75 aren't designed for the pebbled bed reactors. First, the generic formulas apply only to PWRs and BWRs, so the question arises as to what should be the basis for a decommissioning cost estimate. At this point, either a new generic study by PNNL (or other contractor) or a site-specific study appear to be the only feasible options short of rulemaking. Second, he is concerned that, because the pebbled bed reactor would be built as a merchant plant, current decommissioning funding assurance requirements for full up-front costs are likely to be too onerous. John is floating the idea of 25% down and full funding by the 20th year of operation, with the rationale that current regulations did not contemplate a reactor design with a very low likelihood of premature shutdown. Needless to say, this would be a controversial approach that would represent a major policy shift by the NRC.

(2) With respect to Price-Anderson, John is concerned that the modular approach of the pebbled bed design would cause the licensee to be liable for payment of a retro. premium for each module of 120 MW. The potential liability exposure, plus the onus of showing cash flow as proof of payment of the retro. premium, would likely kill an application. He is proposing that the NRC interpret P-A as allowing liability of one \$10 million assessment per incident per year based on a "unit" of 10 modules. He does not think it is politically feasible to create a fix in the P-A renewal legislation because the prospects for renewal are seen best when presented in terms of a simple yes or no vote without significant policy additions.

(3) With respect to antitrust, John is looking for an exemption under §105(c)(2)(7) of the AEA for pebbled bed designs as a class, because they would be built by exempt wholesale generators who do not have transmission and distribution assets and thus market power. (Of course, if the design really leads to a new source of electricity that is "too cheap to meter," then the type of market power that could result is the type specifically targeted by § 105.)

These issues are will obviously be complex and will involve significant policy deliberations, from the Commission on down. They also have the potential to impact costs indirectly through licensing schedules as well as directly. It seems that we should start discussing these issues internally very soon. Do you agree? Is it premature to bring them up at the meeting tomorrow? Should I or someone from the financial group attend?

Bob

CC: Alex McKeigney, Ira Dinitz, Michael Davis, Michael Dusaniwskyj, Steven Horn, Susan Uttal

6/15