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UNITED STATES OF AMERICA

NUCLEAR REGULATORY COMMISSION

**Title: PRIVATE FUEL STORAGE, LLC
EVIDENTIARY HEARING**

Docket No.: 72-22-ISFI

**DOCKETED
USNRC**

August 8, 2005 (1:00pm)

**OFFICE OF SECRETARY
RULEMAKINGS AND
ADJUDICATIONS STAFF**

~~**CONFIDENTIAL**~~

Location: Salt Lake City, Utah

Date: Tuesday, June 27, 2000

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SECY-02

1 UNITED STATES OF AMERICA
 2 NUCLEAR REGULATORY COMMISSION
 3

4 In the Matter of:) Docket No. 72-22
 PRIVATE FUEL STORAGE, L.L.C.) ASLBP No.
 5 (Independent Spent Fuel) 97-732-02-ISFSI
 Storage Installation))
 6 _____)

7 U.S. Nuclear Regulatory Commission
 Sheraton Hotel
 150 West 500 South
 8 Wasatch Room
 Salt Lake City, Utah 84101
 9 Tuesday, June 27, 2000

10 The above-entitled matter came on for
 hearing, pursuant to notice, at 1:45 p.m.

11 BEFORE:

12 THE HONORABLE G. PAUL BOLLWERK, III
 13 Administrative Judge
 Atomic Safety & Licensing board Panel

14 DR. JERRY R. KLINE
 15 Administrative Judge
 Atomic Safety & Licensing board Panel

16 DR. PETER S. LAM
 17 Administrative Judge
 Atomic Safety & Licensing board Panel
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1 APPEARANCES:

2

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P R O C E E D I N G S

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2 JUDGE BOLLWERK: All right. We're back from
3 our lunch break. And I think we're ready now to go
4 back -- we're going back into closed session to begin
5 with the staff testimony of Mr. McKeigney and Mr. Wood
6 on Contention Utah E, Financial Assurance. Is there
7 anything any of the parties, in terms of procedural
8 matters, you need to bring to the Court's attention, or
9 are we ready to move forward with Mr. Wood and
10 Mr. McKeigney?

11 All right. If the two of them could take the
12 stand, please.

13 Gentlemen, I remind you that you previously
14 have been sworn, you remain under oath.

D I R E C T E X A M I N A T I O N

15 BY MS. MARCO:

16 Q. Good afternoon.

17 A. (Witness McKeigney) Good afternoon.

18 A. (Witness Wood) Good afternoon.

19 Q. I have placed a document before you. Do you
20 recognize it?

21 A. (Witness McKeigney) Yes.

22 A. (Witness Wood) Yes.

23 Q. Will you please identify this document.

24 A. (Witness McKeigney) NRC staff testimony of
25

1 Alex F. McKeigney and Robert S. Wood on Utah Contention
2 E/Confederated Tribes F, Financial Assurance.

3 Q. And attached to this document is there a
4 statement of your professional qualifications?

5 A. (Witness McKeigney) Yes.

6 A. (Witness Wood) Yes.

7 Q. Attached to this document is there an
8 additional attachment, Attachment A?

9 A. (Witness McKeigney) Yes, A and B.

10 Q. And will you please identify A and B.

11 A. (Witness McKeigney) A is Private Fuel
12 Storage construction and operating cost estimates for
13 the 1997 PFS business plan. B is the same document for
14 the 1998 PFS business plan.

15 Q. Now, do you have any corrections to make to
16 this document?

17 A. (Witness Wood) Yes.

18 Q. Would you please go through them?

19 A. (Witness McKeigney) Yes. We owe an apology
20 to Mr. Parkyn. On page 11 we changed his name to
21 James.

22 JUDGE BOLLWERK: That's mild compared to the
23 problems I've been having.

24 WITNESS McKEIGNEY: And we want to add
25 "John," insert "John" for "James."

1 And then on page 8, in the middle of the
2 page --

3 MR. SILBERG: Excuse me. Where is that on
4 page 11?

5 WITNESS MCKEIGNEY: Oh, I'm sorry. It's at
6 the bottom of page 11, the first line -- James Parkyn.

7 Then on Answer 11, on page 8, if you'll go
8 down toward the bottom of the first paragraph, where it
9 says, "in a range of [REDACTED] for each
10 of" -- the words "each of" should be added, "each of
11 429 employees." Then on page 2, second line from the
12 top, the first word, "license," should have a "d."
13 Should be "licensed activities."

14 I believe that's all the document.

15 Q. (BY MS. MARCO) And with these changes, is
16 this testimony true and accurate, to the best of your
17 knowledge and information?

18 A. (Witness Wood) Yes.

19 A. (Witness McKeigney) Yes.

20 Q. Do you adopt this testimony as your sworn
21 testimony in this matter?

22 A. (Witness Wood) Yes.

23 A. (Witness McKeigney) Yes.

24 MS. MARCO: With this, I would like to have
25 the testimony of Dr. McKeigney and Robert Wood bound

1 into the record as if read.

2 JUDGE BOLLWERK: All right. Any objections?

3 MR. SILBERG: None from applicant.

4 MS. CURRAN: No.

5 JUDGE BOLLWERK: All right. And I take it
6 the copy the court reporter has has these corrections
7 in it?

8 MS. MARCO: Yes, that is correct.

9 JUDGE BOLLWERK: All right. Then there will
10 be no objection to the testimony identified by counsel,
11 along with Attachments A and B, and the resume,
12 professional qualifications of Mr. McKeigney and
13 Mr. Wood are adopted and entered into evidence and will
14 be bound into the record as if read.

15 [Whereupon, the direct written
16 testimonies of Messrs. McKeigney
17 and Wood were inserted in the
18 record.]

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May 15, 2000

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of

PRIVATE FUEL STORAGE, L.L.C.

(Independent Spent
Fuel Storage Installation)

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Docket No. 72-22-ISFSI

NRC STAFF TESTIMONY OF
ALEX F. MCKEIGNEY AND ROBERT S. WOOD
ON UTAH CONTENTION E/ CONFEDERATED
TRIBES F (FINANCIAL ASSURANCE)

Q1. Please state your names, occupations and by whom you are employed.

A1 (a). (AFM) My name is Alex F. McKeigney. I am employed as a Financial Analyst in the Division of Regulatory Improvement Programs, Office of Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission (NRC) in Washington, D.C. A statement of my professional qualifications is attached hereto.

A1 (b). (RSW) My name is Robert S. Wood. I am employed as a Senior Level Licensee Financial Policy Advisor in the Division of Regulatory Improvement Programs, Office of Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission (NRC) in Washington, D.C. A statement of my professional qualifications is attached hereto.

Q2. Please describe your current responsibilities.

A2 (a). (AFM) As a Financial Analyst, I perform a wide range of analytical functions pertaining to NRC regulations in such areas as financial qualifications, decommissioning funding assurance, and foreign ownership and control of nuclear reactors and nuclear material facilities. My duties include preparing Safety Evaluation Reports and other

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documents regarding an applicant's or a licensee's financial capability as it relates to licensee activities. I conduct special studies and participate as the lead Staff member on task forces dealing with financial topics.

A2 (b). (RSW) As the NRC's Senior Level Licensee Financial Policy Advisor, I have responsibility for the development and implementation of NRC policies on and programs for nuclear property and liability insurance, financial assurance for decommissioning nuclear power facilities, financial qualifications of NRC licensees, electric utility deregulation, license transfers, and other financial and economic issues with a potential impact on the safe operation and decommissioning of NRC-licensed nuclear facilities. I provide advice to NRC senior management and technical guidance and oversight in my areas of expertise to other members of the NRC Staff, including financial analysts in the Generic Issues, Environmental, Financial, and Rulemaking Branch of the Division of Regulatory Improvement Programs of the Office of Nuclear Reactor Regulation.

Q3. Please explain what your duties have been in connection with the NRC Staff's review of Private Fuel Storage, L.L.C.'s (PFS or the Applicant) application to construct and operate an Independent Spent Fuel Storage Installation (ISFSI).

A3 (a). (AFM) As part of my official responsibilities, I reviewed the Applicant's License Application (LA) and Safety Analysis Report (SAR), pertaining to the Applicant's financial qualifications, as well as its responses to the NRC Staff's Requests for Additional Information (RAIs), related to PFS' application for an Independent Spent Fuel Storage Installation (ISFSI), to be located on the reservation of the Skull Valley Band of Goshute Indians. I prepared the chapter titled "Financial Qualifications and Decommissioning Funding Assurance" (Chapter 17) of the Staff's PFS Safety Evaluation Report (SER), dated December 15, 1999 (revised and reissued on January 4, 2000). In addition, I prepared the

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NRC Staff's Position on Contention Utah E/ Confederated Tribes F, dated December 15, 1999.

A3 (b). (RSW) As part of my official responsibilities, I reviewed the Applicant's LA and SAR, pertaining to the Applicant's financial qualifications, as well as its responses to the NRC Staff's RAIs related to the PFS application for an ISFSI. I reviewed Mr. McKeigney's preparation of both the chapter titled "Financial Qualifications and Decommissioning Funding Assurance" (Chapter 17) of the Staff's PFS SER, and the NRC's Position on Contention Utah E/ Confederated Tribes F, dated December 15, 1999.

Q4. What is the purpose of this testimony?

A4. (AFM/RSW) The purpose of this testimony is to provide the NRC Staff's views concerning the financial qualifications of the Applicant to construct and operate its proposed facility, with respect to the issues raised in Contention Utah E/Confederated Tribes F. In particular, this testimony addresses the Applicant's cost estimates for the construction and operation of its proposed facility as well as the adequacy of the Applicant's onsite property insurance coverage.

PFS' Cost Estimates

Q5. Please identify the NRC regulatory requirements that pertain to the provision of cost estimates for the construction and operation of an ISFSI under 10 C.F.R. Part 72.

A5. Pursuant to 10 C.F.R. § 72.22(e), an ISFSI applicant must submit sufficient information to demonstrate its financial qualifications to carry out the activities for which the license is sought, in accordance with 10 C.F.R. Part 72, showing that the applicant either possesses the necessary funds, or that the applicant has reasonable assurance of obtaining the necessary funds, or that by a combination of the two, the applicant will have

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the necessary funds available to cover the following: (1) estimated construction costs; and (2) estimated operating costs over the planned life of the facility.

Q6. Are you familiar with the issues in Contention Utah E/Confederated Tribes F concerning the adequacy of the Applicant's cost estimates for the construction and operation of the proposed ISFSI?

A6. Yes. It is our understanding that cost issues are identified in Subpart 6 of this Contention, which states as follows:

Contrary to the requirements of 10 C.F.R. §§ 72.22(e) and 72.40(a)(6), the Applicant has failed to demonstrate that it is financially qualified to engage in the Part 72 activities for which it seeks a license in that:

6. The Applicant has failed to show that it has the necessary funds to cover the estimated costs of construction and operation of the proposed ISFSI because its cost estimates are vague, generalized, and understated. See 10 C.F.R. Part 50, App. C, § II.

In support of this assertion, the State refers in the basis section of this contention to a 1993 Department of Energy (DOE) cost estimate for the construction of a 15,000 MTU dry cask storage monitored retrievable storage installation (MRS) at the Skull Valley Reservation (Utah Contentions, filed November 24, 1997, at 35). That information indicates that DOE estimated the MRS construction cost, in 1992-93 dollars, to be \$530 million.

Q7. Do you agree with the State of Utah's assertion that the Applicant has failed to show that it has the necessary funds to cover the estimated costs of construction and operation of the proposed ISFSI because its cost estimates are vague, generalized, and understated?

A7. No.

Q8. What information did the Applicant provide in this regard?

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A8. In 1997, the PFS License Application provided only general estimates of facility construction and operating costs. Subsequently, PFS provided much more detailed estimates of the specific components of construction and operating costs, both in the 1997 PFS Business Plan and in its June 1998 update.

Specifically, pages 48-57 of the January 1997 PFS Business Plan provide detailed proprietary cost estimates for each component of the development and construction of the facility, stating both the total cost and the amount anticipated to be spent each year for each component. Cost estimates in the 1997 plan are based on approximately [REDACTED] of total spent fuel being shipped to the facility over its lifetime, with maximum storage at any one time of approximately [REDACTED]. Pages 8-47 of the 1997 plan provide detailed proprietary annual and total cost estimates for each component of facility operation through the year 2042. A summary of total cost estimates provided by PFS for the major construction and operating cost components in the 1997 Business Plan is shown in Attachment A hereto.

The June 1998 PFS Business Plan provides similar types of information, with cost estimates stated by year for three capacity scenarios: a 10,000 MTU, [REDACTED] and 40,000 MTU maximum storage capacity case. A summary of the total cost estimates provided by PFS for major cost components in the 1998 Business Plan is shown in Attachment B hereto.

Q9. Does the cost information that has been provided by PFS satisfy NRC requirements?

A9. Yes.

Q10. Please provide the basis for your conclusion in this regard.

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A10. The information provided by the Applicant regarding estimates of construction and operating costs for the proposed facility is acceptable for the following reasons. First, as noted in response to Question 8 above, after PFS provided the initial overview cost estimates in 1997, it provided much more detailed information on estimated construction and operating costs. In producing these facility cost estimates, PFS consulted with Stone & Webster, an established architect engineering firm with experience in the design and construction of nuclear facilities and in estimating nuclear facility costs. Further, PFS stated in its business plans that the cost estimates cited therein are basically known through standard bidding and estimating processes and are within an accuracy of 5 to 10 percent. In addition, John Parkyn, Chairman of PFS, stated in a September 9, 1999, conference call with NRC Staff that PFS used standard, representative numbers in estimating its costs. These factors provide confidence as to the reliability of the cost estimates stated by PFS.

Also, in accordance with standard practices of ongoing business enterprises and their planning function, PFS has continued to update facility cost estimates as reflected in its June 1998 Business Plan, which PFS submitted to the NRC Staff on March 22, 2000. While those estimates differ to some extent with the 1997 cost estimates, the information contained in the June 1998 plan does not contradict the previous information provided by PFS, nor does it change the Staff's previous findings as to the acceptability of PFS' (1997 Business Plan) cost information, as stated in the Staff's SER and its Statement of Position on this contention, dated December 15, 1999.

A comparison of construction cost estimates in the two business plans indicates that, for the [REDACTED] maximum storage case, the construction cost estimate is about [REDACTED] in the 1997 plan and about [REDACTED] in the 1998 plan (see Attachments A

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and B). This difference of about [REDACTED] in estimated construction costs is primarily caused by two factors: (1) an assumption of about [REDACTED] more in transportation infrastructure cost in the 1998 plan; and (2) treatment of concrete pads as a capital cost in the 1998 plan (concrete pads are treated as an operating cost in the 1997 plan, resulting in about [REDACTED] more in the 1998 plan construction estimate).

A comparison of operating costs for the two plans indicates some differences in estimates for various components, with total operating costs for the 1997 plan estimated at [REDACTED] compared to [REDACTED] for the 1998 plan. This difference of about [REDACTED] in the two estimates is primarily caused by a higher estimated cost for canisters and storage overpacks in the 1998 plan, which is more than offset by the difference in fixed host payments and estimated interest expense in the 1997 and the 1998 plans. The 1998 plan has no interest expense required for construction, based on the PFS plan to have customers prepay the cost of construction before building the facility.

The level of detail provided by PFS in its cost estimates provides adequate, specific information on the major components of its cost estimates. The Staff has no reason to believe that these cost estimates misrepresent or understate the likely cost of constructing and operating PFS' proposed facility. In addition, the Staff is mindful that the Commission has stated, in a decision referring to financial issues in the PFS proceeding, that "To the maximum extent practicable, both the NRC Staff, in its safety and environmental reviews, and the Board, in its adjudicatory role, should avoid second-guessing private business judgments." CLI-98-13, 48 NRC 36-7 (1998).

Q11. The State has asserted in the basis of its contention that a 1993 Department of Energy (DOE) cost estimate for the construction of a 15,000 MTU dry cask storage monitored retrievable storage installation (MRS) at the Skull Valley Reservation estimated

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the construction cost, in 1992-93 dollars, to be \$530 million. What effect, if any, does the State's assertion regarding the DOE estimate have on your opinion?

A11. The State's assertion does not affect our opinion, for the following reasons. First, as a basis for comparison with the PFS facility, the State provided one paragraph of information regarding the DOE estimate (Utah Contentions, at 35) and referred to a "Skull Valley Band of Goshutes MRS brochure" (attached to the State's contentions as Exhibit 6). Neither the paragraph on page 35 nor the information in the three pages of the referenced Exhibit provide the title of the document from which the estimates were obtained nor any detailed information on any specific major cost components of the proposed DOE MRS facility. While there is a generalized reference to a total construction cost estimate of \$530 million and salaries in a range of \$15,000-\$60,000 ^{each of} for 429 employees, the information set forth in the contention is inadequate for comparing the specific functions and the major construction and operating cost components of the DOE MRS facility to those of the PFS ISFSI.

In order to obtain more detailed information regarding this matter, the Staff located a DOE publication entitled Designing the MRS, dated March 1993 (referred to hereinafter as "DOE-1993"). DOE-1993 describes a conceptual design for an MRS facility employing from 429-453 employees, depending on the storage system utilized, with an estimated construction cost of approximately \$530 million. DOE-1993 states that the MRS facility described therein ultimately would employ one of six types of spent fuel storage systems, including as possibilities a dry cask system similar to that proposed by PFS and a wet storage system. DOE selected the dry cask system as the reference concept for its conceptual design (DOE-1993, p. 3).

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There is not enough detail on specific cost components in DOE-1993 to allow a detailed comparison of employee and cost estimates for the DOE MRS design with those for the PFS ISFSI design. However, DOE-1993 does contain one specific construction cost component for multi-purpose canisters (MPCs) at the MRS facility, with an estimated cost of \$239 million (in 1992-93 dollars), which represents a significant portion (45 percent) of its total construction cost of about \$530 million. In comparison, the cost of cask construction is omitted from the construction cost estimate provided in the PFS 1997 PFS Business Plan -- which treats the costs of manufacturing the spent fuel canisters and storage casks as annual operating expenses that are not included in the design and construction of the facility and are not part of its initial capital cost. Significantly, the total estimated costs for the canisters and storage casks for the PFS [REDACTED] maximum storage capacity design in its 1997 business plan is [REDACTED] (in 1997 dollars), demonstrating that these two specific components represent a considerable cost that PFS classified as an operating expense and did not include in its construction cost estimate. If these two components had been included in the PFS construction cost estimate, then the PFS estimate would have been approximately [REDACTED] in 1997 dollars (versus its 1997 estimate of [REDACTED], which would have been similar to the \$530 million (in 1992-93 dollars) in the DOE estimate. Therefore, this one example demonstrates that taking different approaches to the treatment of capital and operating costs may explain much of the variation in estimated construction costs for the two facilities.

Further, even if DOE-1993 had provided adequate detail for comparing the proposed MRS costs with those of the PFS ISFSI, significant differences in the final design specifications of the DOE and PFS facilities, and the assumptions underlying their plans and cost estimates, may have rendered direct comparison of the two facilities meaningless.

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This is especially the case since, over time, DOE has considered various options and capabilities for an MRS facility, and it is unclear whether the facility referred to in DOE-1993 would have been similar to the PFS ISFSI or might have included additional components that would have rendered it more expensive to construct and operate than the PFS facility. Thus, the State of Utah's reference to the MRS facility does not alter the Staff's conclusion as to the acceptability of PFS' cost estimates.

Property Insurance

Q12. Please identify the NRC regulatory requirements and guidance, if any, that pertain to onsite property insurance related to the construction and operation of an ISFSI under 10 C.F.R. Part 72?

A12. To our knowledge, the NRC has not established any specific regulatory requirement or guidance that would mandate the provision of onsite property insurance for an ISFSI under 10 C.F.R. Part 72. In contrast, the NRC has adopted onsite insurance requirements for operating nuclear power reactors. Regarding Part 70 facilities, the NRC has no onsite property insurance requirements. The only financial requirement established by the Commission for a Part 72 ISFSI is the requirement, in 10 C.F.R. § 72.22(e), that an applicant must submit sufficient information to demonstrate its financial qualifications to carry out the activities for which the license is sought, including a demonstration that it either possesses the necessary funds and/or has reasonable assurance of obtaining the necessary funds to cover its "estimated construction costs and . . . estimated operating costs over the planned life of the facility." The Commission has not specifically identified onsite property insurance as a necessary ingredient in providing such assurance.

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Q13. Are you familiar with the State of Utah's assertions, in Contention Utah E/ Confederated Tribes F, concerning the need for onsite property insurance?

A13. Yes. As indicated by the Atomic Safety and Licensing Board in LBP-00-06, the issue of onsite property insurance was raised in Subparts 5 and 10 of the contention, which state as follows:

5. The Applicant does not take into account the difficulty of allocating financial responsibility and liability among the owners of the spent fuel nor does it address its financial responsibility as the "possessor" of the spent fuel casks. The Applicant must address these issues. See 10 C.F.R. § 72.22(e).
10. The Application does not provide assurance that PFS will have sufficient resources to cover non-routine expenses, including without limitation the costs of a worst case accident in transportation, storage, or disposal of the spent fuel.

Q14. Do you agree with the State of Utah's assertion that the PFS Application fails to provide assurance that PFS will have sufficient resources to cover non-routine expenses, including, without limitation, the costs of a worst case accident in the storage of the spent fuel, due to the lack of onsite property insurance?

A14. No.

Q15. Please provide the basis for your conclusion in this regard, with respect to the issue of onsite property insurance.

A15. With respect to the issue of onsite property insurance, PFS Chairman ~~James~~ ^{John} Parkyn has stated, in a "Declaration" supporting PFS' motion for partial summary disposition dated December 3, 1999, that "PFS currently contemplates that it will maintain property insurance in the range of \$70 million". (see Parkyn Dec. at ¶21.) That commitment exceeds current NRC regulatory requirements for an ISFSI.

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Further, discussions were held on April 17, April 26, and May 10, 2000, between the NRC Staff and executives of the two U.S. insurance companies that provide onsite property insurance coverage for nuclear facilities: American Nuclear Insurers (ANI) and Nuclear Electric Insurance Limited (NEIL). In these discussions, the Staff was informed that ANI would not provide onsite property coverage for new customers like PFS but that NEIL will make a maximum amount of [REDACTED] in onsite property insurance available to PFS for an annual premium of [REDACTED]. The Staff learned from a PFS representative that PFS plans to purchase this [REDACTED] policy, as well as an additional [REDACTED] in coverage to be provided by certain companies located in London for a [REDACTED] annual premium. These statements indicate that PFS appears to have committed to secure the maximum amount of onsite property insurance that is available for its facility.

While the Staff recognizes that there is no current NRC regulation requiring such coverage for a Part 72 ISFSI, the Staff considers it appropriate and in accord with sound business practice that PFS should pursue onsite property insurance coverage. PFS' commitment in this regard is acceptable.

Q16. Please summarize your testimony regarding the adequacy of the Applicant's financial qualifications, within the scope of the remaining issues in Contention Utah E/ Confederated Tribes F.

A16. In summary, the construction and operating cost estimates provided by PFS subsequent to the initial submission of its application, set forth in its 1997 and 1998 Business Plans, are specific and detailed, rather than "vague and generalized." PFS has supplied detailed annual and total estimates for each component of its construction and operating costs in both its 1997 and 1998 Business Plans. The Staff is aware of no reason to believe that these cost estimates misrepresent or understate the likely cost of

~~MAY CONTAIN PROPRIETARY INFORMATION~~

constructing and operating PFS' proposed facility. Accordingly, the Staff concludes that PFS has provided acceptable detailed estimates of its construction and operating costs, as part of its demonstration that it is financially qualified to obtain a license for its proposed facility under 10 C.F.R. Part 72.

With respect to the issue of onsite property insurance coverage for a Part 72 ISFSI, while there currently is no NRC requirement for such coverage, the Staff does consider it appropriate and in accord with sound business practice that PFS should consider such insurance relative to its perceived needs. Further, PFS appears to have committed to obtain the maximum amount of onsite property insurance available for its facility.

Q17. Does this conclude your testimony?

A17. Yes.

Alex F. McKeigney

**Financial Analyst
Division of Regulatory Improvement Programs
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission**

Education

B.A. in Sociology and Economics, The University of Mississippi, 1965
M.A., Ph.D. in Sociology, The University of North Carolina, 1967 and 1969
MBA, Harvard Business School, 1978

Experience

Dr. McKeigney has significant experience in evaluating a wide variety of NRC applicants. He has worked with the NRC since April 1997 as a Financial Analyst and has conducted numerous safety reviews involving financial qualifications. He has participated in special studies and assignments, such as co-authoring a Commission Paper on monitoring foreign ownership and control of reactor licensees and serving as one of the principal reviewers of the AmerGen purchase of TMI-1.

Dr. McKeigney has many years of experience in strategic and financial planning positions with electric utilities that operate nuclear power reactors. He has evaluated the relative feasibility and profitability of alternative corporate strategies and financing plans, compared options for project financing, and has conducted numerous other quantitative analyses and reviews for electric utilities.

Dr. McKeigney has taught and developed courses in social science at the undergraduate level and in strategic planning at the graduate level. He also has worked in state-level economic development research, which included labor force analysis and financial analysis utilizing state-level econometric models.

PROFESSIONAL CHRONOLOGY: Financial Analyst, Office of Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission, 1997-present; Senior Lead Planner-Operations, Entergy Services, Inc., 1993-1995; Director-Strategic Planning, Mississippi Power and Light Company, 1983-1992; Director-Strategic Planning, Middle South Services, Inc., 1980-1982; Vice President-Consulting, Social Systems, Inc., 1979; Financial Analyst, Carolina Power and Light Company, 1978-1979; Manager-Manpower Development and Analysis, Mississippi Research & Development Center, 1972-1976; Assistant Professor, Southern Methodist University, 1969-1971.

**PROFESSIONAL QUALIFICATIONS
ROBERT S. WOOD**

**Senior Level Licensee Financial Policy Advisor
Division of Regulatory Improvement Programs
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission**

Robert Wood has served as Senior Level Licensee Financial Policy Advisor in the Office of Nuclear Reactor Regulation from 1997 to the present. He has responsibility for the development and implementation of NRC policies on and programs for nuclear property and liability insurance, financial assurance for decommissioning nuclear power facilities, financial qualifications of NRC licensees, electric utility deregulation, license transfers, and other financial and economic issues with a potential impact on the safe operation and decommissioning of NRC-licensed nuclear facilities. He provides technical guidance and oversight in his areas of expertise to financial analysts in the Generic Issues, Environmental, Financial, and Rulemaking Branch of the Division of Regulatory Improvement Programs.

Mr. Wood received a B.A. degree in economics from Drew University in 1968 and an M.P.A. degree from the Ohio State University in 1971. He also successfully completed course work and qualifying exams for a Ph.D. in economics at the Ohio State University.

Mr. Wood began his professional career as a Management Intern in 1971 with the former U.S. Atomic Energy Commission. After serving as Systems Analyst and Program Analyst, Mr. Wood became Assistant to the Chief, Antitrust and Indemnity Group in 1976. Since then, he has held several positions with responsibility for the NRC's programs and policies in financial qualifications, decommissioning funding assurance, antitrust, insurance, and economic analysis. He served as Section Chief, Policy development and Financial Evaluation Section in the Inspection and Licensing Policy Branch, Office of Nuclear Reactor Regulation, from July 1992 to April 1994. From 1994 to 1997, he served as a Senior Financial Analyst. He has presented testimony on financial qualifications issues before the Atomic Safety and Licensing Board and on decommissioning funding assurance before several State Public Utility Commissions as an NRC expert.

1 JUDGE BOLLWERK: And at this point, I
2 believe we're ready for cross-examination.

3 MR. SILBERG: The applicant has none.

4 JUDGE BOLLWERK: None from the applicant. I
5 guess it's the State of Utah.

6 CROSS-EXAMINATION

7 BY MS. CURRAN:

8 Q. Okay. Good afternoon. I'm Diane Curran.
9 I'm an attorney for the State of Utah, and I have a few
10 questions for you. And the first one is, which of you
11 is Mr. Wood and which of you is Mr. McKeigney?

12 A. (Witness Wood) Wood and McKeigney
13 (Indicating).

14 Q. I think I missed it somehow.

15 Is it correct that in response to Question 9
16 at page 5 of your testimony, you say that the cost
17 information submitted by PFS satisfies NRC
18 requirements?

19 A. (Witness McKeigney) Yes.

20 Q. And is it true that in your response to
21 Question 10, you give the basis for that opinion by
22 describing the elements of your review?

23 A. (Witness McKeigney) Yes.

24 Q. In addition to the review that is described
25 in your response to Question 10, does the staff intend

1 to conduct any further review of the costs of building
2 and operating a PFS facility?

3 A. (Witness McKeigney) Yeah. In the post-
4 licensing phase, you know, for satisfaction of the
5 license conditions, we will.

6 Q. Okay. And can you describe what that review
7 will consist of?

8 A. (Witness Wood) Well, I think it will be a
9 question of having the estimate at that time and the
10 bids that come out, plus the participation agreements
11 and the obligations of the individual customers at that
12 point. And we'll do a comparison of all those and try
13 to determine the adequacy of their funding.

14 Q. Okay. I'd just like to go over that. I
15 didn't catch everything you said. And I'd like to go
16 over each of the elements that you gave me. And first
17 of all, to clarify, are you talking about when you
18 determine whether license -- the first license
19 condition has been met?

20 A. (Witness Wood) Has been satisfied, right.

21 Q. So tell me again, what are the elements
22 you're going to look at?

23 A. (Witness Wood) We'll -- we'll look at the
24 revised estimates, specifically as they relate to the
25 bids that have come in for the construction for the

1 facility and we'll compare that to the commitments that
2 they've -- the applicant -- I suppose at that time,
3 licensee -- were received, and make a determination as
4 to whether that combination of information satisfies
5 the license condition.

6 Q. Would you look at the bids themselves?

7 A. (Witness McKeigney) Yes. I mean, that would
8 be the most definitive estimate that we could see at
9 that point.

10 Q. So you would look at the bids, compare
11 whether there were bids for the various elements of the
12 construction cost estimate?

13 A. (Witness Wood) Yeah, that's correct. I
14 would clarify that we wouldn't necessarily look at all
15 the bids, but the bid that was selected, obviously.

16 A. (Witness McKeigney) Right.

17 Q. Right.

18 A. (Witness McKeigney) Yeah.

19 Q. But you would look for a selected bid for
20 each element of the construction cost estimate?

21 A. (Witness McKeigney) To the extent they were
22 separated, yes, if there were, like, different bids for
23 different elements. But if it's all combined into one
24 bid, of course we'd look at that one bid.

25 Q. Okay. And when you look at bids, do you look

1 at the bottom line or do you look at anything else in
2 the bid?

3 A. (Witness Wood) Yeah. I mean, we'll look at
4 whatever detail's contained in the bid.

5 A. (Witness McKeigney) (Witness moves head up
6 and down.)

7 Q. Then you total up the bids and compare that
8 to their construction cost estimate that was provided
9 earlier, right?

10 A. (Witness Wood) Well, I don't know that at
11 that point the construction cost estimate as provided
12 earlier is relevant once the winning bid is accepted.
13 That is the cost estimate and we would compare that
14 against the commitments that they have received from
15 the customers.

16 Q. Okay. Then turning to the commitments, how
17 would you evaluate the commitments?

18 MS. MARCO: Objection. This is outside of
19 the scope of the contention and it's outside of the
20 scope of the direct testimony. There's no mention of
21 the conditions and what's required to satisfy them in
22 here and what the staff will look at.

23 MS. CURRAN: Well, we're trying to establish
24 here how -- how the NRC staff ensures that all items
25 covered by the cost estimate are covered by -- all

1 items covered by the bids are covered by the
2 requirement for -- to fund the facility adequately.

3 MS. MARCO: This gets awfully close to a
4 late-filed contention that was rejected along the
5 grounds of what the licensed condition -- how it will
6 be evaluated.

7 JUDGE BOLLWERK: I will allow you a little
8 latitude here, but I am aware of the fact -- I don't
9 want to go into great detail. I don't think we need to
10 go into great detail about how the staff does its
11 review. I understand you need some assurance. I know
12 you feel the record, given Dr. Sheehan's testimony,
13 would benefit, quote/unquote, from some discussion
14 about how the staff does their review, and I'll allow
15 you some latitude.

16 But I'm aware of what your concern is.

17 So go ahead and ask your question.

18 WITNESS MCKEIGNEY: Could you repeat the
19 question?

20 MS. CURRAN: Would you read back the
21 question, please.

22 (The following was read:

23 "Q Okay. Then turning to the commitments,
24 how would you evaluate the commitments?")

25 WITNESS MCKEIGNEY: Well, we look at the fee

1 structure agreed to by the customers in the service
2 agreements, and also look at the level of MTUs that the
3 customers agreed to fund, and then, you know, use that
4 as a determination for the revenues, and also look at
5 it in relation to the three phases of the base payments
6 of fees. That would help us determine the timing of
7 when the dollars would come in. And then we would
8 compare that to the certified bid.

9 Q. (BY MS. CURRAN) And would you be concerned
10 about the timing of when the fuel and the money is
11 coming in?

12 A. (Witness Wood) You know, we certainly want
13 to make sure that the commitments are there. Our
14 understanding is that once the commitments are signed,
15 that the fuel can't be shipped. And I guess you're
16 talking now about operating costs, or once the
17 facility's operating, that fuel wouldn't be shipped
18 until the money is there.

19 Q. In the first license condition, it specifies
20 that construction of the facility shall not commence
21 before funding -- in parentheses, equity, revenue, and
22 debt, close parentheses -- is fully committed that is
23 adequate to construct a facility with the initial
24 capacity as specified by PFS to the NRC. Is it correct
25 that the initial capacity as specified by PFS to the

1 NRC is [REDACTED] metric tons of uranium?

2 A. (Witness McKeigney) That's correct.

3 JUDGE BOLLWERK: Can I stop you right there?

4 You owe us a cross-examination plan, by the way. I was
5 looking for where we were going and I don't know
6 because I don't have a cross-examination plan.

7 Thank you.

8 MS. CURRAN: Sure.

9 Q. (BY MS. CURRAN) So am I correct that it's
10 [REDACTED] metric tons of uranium that that's the basis for
11 the initial capacity?

12 A. (Witness McKeigney) Yes, that was the
13 minimum.

14 Q. And am I correct -- as I read this language,
15 it seems to me that what it is seeking is not so much
16 commitments to construct a capacity of [REDACTED] metric
17 tons of uranium, but an amount of money that would be
18 sufficient to construct that capacity. Am I correct?

19 A. (Witness McKeigney) Well, the wording does
20 say "is fully committed," but we presume, based on
21 what -- on what we have heard about the fee structure,
22 that the funds will be coming in quite quickly on the
23 first base payment. It will be committed to the
24 construction of the facility.

25 Q. I'm sorry.

1 A. (Witness McKeigney) Go ahead.

2 Q. But, for instance, if PFS decided to borrow
3 the money necessary to construct [REDACTED]-MTU capacity,
4 that would also be acceptable without equivalent
5 commitments to build that much?

6 A. (Witness Wood) Yeah. I mean, you know, if
7 they decided to borrow, they would -- that would be
8 sufficient. But there again, the commitments would
9 cover the repayment of those -- the capital, the
10 borrowing principal, and interest amounts.

11 Q. And you would look for a line item in the O&M
12 cost estimate for repayment of principal and payment of
13 interest on any money that had been borrowed?

14 MS. MARCO: Objection. I'm going to renew my
15 objection on the same basis as before.

16 MS. CURRAN: It seems to me I'm asking about
17 a potential cost of this facility and whether it will
18 be considered in this review -- the cost of borrowing
19 money, which I think has been on and off the table at
20 various stages of this case.

21 JUDGE BOLLWERK: Correct. I'll allow the
22 question.

23 WITNESS McKEIGNEY: Well, we understand that
24 PFS seeks to get as much as possible up front in
25 revenues in terms of actual dollars to construct the

1 facility. But they did say that they might have to
2 borrow some funds on behalf of some of their customers.
3 So yes, if, you know, some funds were borrowed, then
4 there would have to be an adjustment in the operating
5 cost estimate, in my opinion.

6 Q. (BY MS. CURRAN) I'd just like to go back for
7 a minute to your method for ensuring that the -- when
8 you see these bids, that they're comprehensive, that
9 they cover all the costs of constructing the facility.
10 What is your procedure for --

11 MS. MARCO: Objection. Again --

12 Q. (BY MS. CURRAN) -- making that
13 determination?

14 MS. MARCO: Again, it's inquiring into how
15 the license -- the staff will evaluate the satisfaction
16 of the license condition, which is outside of the scope
17 of the contention and the direct testimony.

18 JUDGE BOLLWERK: All right. Would you answer
19 the question, please.

20 WITNESS WOOD: Could you repeat it again for
21 us.

22 Q. (BY MS. CURRAN) When -- we talked a little
23 bit before about how, when you do this preconstruction
24 review, you're going to look at bid documents and
25 compare that to the -- to the items that are -- the

1 list of items that are included in construction costs.
2 How -- what is your process for doing that? What do
3 you look at? How do you look at it?

4 A. (Witness Wood) Well, I'm not -- I thought we
5 answered that question earlier. It's a comparison of
6 the bid and the line items in the bid compared -- and
7 the bottom-line cost of all that for construction
8 compared to the commitments that have come in, and the
9 dollar amounts that are represented in those
10 commitments. In terms of the process of how we do
11 that, I'm not sure what you're really asking.

12 Q. Well, I'm trying to figure out -- we heard
13 Mr. Gase and Mr. Takacs say they had been through some
14 conceptual drawings and some more defined drawings, and
15 they come up with a long list of all the items that go
16 into building this facility. And I would assume that
17 as the drawings get more refined, as you get into the
18 bid drawings, more detail is going to come up and the
19 list may get longer. How do you make sure that PFS has
20 provided you with bid documents for all of the costs of
21 construction?

22 A. (Witness McKeigney) Well, we do a
23 comparison, what they provided so far, then look at the
24 detailed drawings. They should be much more detailed
25 in terms of number of line items, and to see how those

1 dollar figures have changed, and then compare that to
2 the certified bid and be sure that the amounts total;
3 in other words, the lines are -- line items in the
4 detailed drawings, those costs should add up to what
5 the certified bids say. There shouldn't be a
6 discrepancy, in other words. The certified bid should
7 cover all the cost.

8 Q. So you will look at the detailed engineering
9 drawings and make your own list of what ought to be
10 covered by the cost -- by the bids and make sure it's
11 all covered?

12 A. (Witness McKeigney) I would expect that we
13 would do that, with consultation with engineers in NRC.
14 We're not engineers, but we would work with technical
15 staff to do that, yes.

16 Q. I think I need some more clarification, going
17 back to License Condition 1. If you are -- if you are
18 in the process of determining whether there are
19 sufficient commitments to cover the construction of
20 ████████-MTU capacity and all you have to look at is
21 service agreements -- let's say that PFS has not
22 decided to borrow money -- do you -- do you look at
23 whether the total of the service agreements, which, of
24 course, would include ████████ a kilogram for each
25 agreement -- do you consider whether that adds up to

1 the right amount of money or do you look at the
2 [REDACTED] a-kilogram commitments for construction and add
3 those up to come up with the right construction cost
4 figure?

5 A. (Witness McKeigney) Well, we understand the
6 first fee structure, the first base payment is what is
7 committed to construction. And we realize also that
8 that [REDACTED] would most likely escalate to some extent
9 because of the change in time between what, when the
10 [REDACTED] estimate -- '97 and 2001. So it might go up some.

11 In other words, it might be more than [REDACTED] per
12 kg. It depends also, perhaps, to some extent on how
13 many customers sign up. If they sign up fifteen or
14 twenty thousand MTUs, they may be able to stick with
15 the [REDACTED]. And then again, they -- the certified bids
16 could be lower than the preliminary estimate. So
17 that's another factor to consider. There are quite a
18 few factors involved here.

19 Q. But what I'm trying to get at is whether you
20 would allow -- essentially allow PFS to borrow from the
21 other [REDACTED] of the [REDACTED] commitment in order to fund
22 construction?

23 A. (Witness McKeigney) Well, a clarification:
24 I wouldn't say the other [REDACTED] but the remainder of the
25 fee -- of course, the fee might go up [REDACTED]. You

1 know, we'll have to wait and make that judgment at the
2 time of approving the license conditions.

3 Q. But I guess if we could just sort of set
4 aside whether there are some minor adjustments to [REDACTED]
5 and [REDACTED] but just let's assume for -- as a rule of
6 thumb, okay? that it turns out that [REDACTED] is about right
7 for construction and [REDACTED] is about right for all the
8 rest. What I'm asking you is, in your review,
9 conceptually, would you -- would you -- in trying to
10 decide whether PFS has come up with the construction
11 cost figure, would you apply the other [REDACTED] to that
12 amount?

13 A. (Witness McKeigney) No.

14 A. (Witness Wood) I think there's a question of
15 timing, that --

16 A. (Witness McKeigney) Yeah.

17 A. (Witness Wood) -- if money came in, in
18 combination -- I mean, I'm not sure the assessment's
19 going to necessarily come in two checks, one for the [REDACTED]
20 and one for the [REDACTED] --

21 A. (Witness McKeigney) Right. Right.

22 A. (Witness Wood) -- but we would like to make
23 sure, at least on an accounting basis, that the funds
24 were differentiated, there were sufficient funds for
25 construction, and that there was still an undiluted

1 pool for operations.

2 A. (Witness McKeigney) Right.

3 Q. If PFS were to come up with enough service
4 contracts to finance [REDACTED]-MTU capacity construction
5 but actually has commitments for only [REDACTED] MTUs of
6 storage, is that a problem for the staff or would you
7 allow the project to go ahead?

8 MR. TURK: Could I get that question again?

9 The question was they had commitments for [REDACTED]?

10 Q. (BY MS. CURRAN) If there was financial
11 commitments that would allow -- that would come up to
12 the amount of money needed to construct [REDACTED] MTUs,
13 but with respect to commitments for the amount of fuel
14 to be stored, PFS had commitments for only [REDACTED] MTUs,
15 due to timing.

16 A. (Witness Wood) I don't know that that's a
17 feasible scenario. I think if they've got the
18 commitments for the [REDACTED] they've got -- they've got
19 it for [REDACTED]. I don't think there's going to be a
20 differentiation in terms of the commitments.

21 Q. Mr. Parkyn in his testimony broke the
22 construction of the PFS facility down into three
23 phases. Do you recall that?

24 A. (Witness McKeigney) Yes.

25 Q. Did those three phases have any significance,

1 in your eyes? Would you -- would you require PFS to
2 stick to those phases, or is that -- is that something
3 that you consider PFS -- PFS's business and not yours?

4 A. (Witness McKeigney) Well, the initial
5 satisfaction of the License Condition 1 requires [REDACTED]
6 MTUs. If they happen to get [REDACTED] -- as a minimum, I
7 should say -- if they happen to get [REDACTED] and want to
8 build to that amount in the first phase, then we would
9 have no objection to that.

10 Q. What if they have [REDACTED] in the first phase,
11 they get through that phase, and then a year or two
12 later they come back with 100 additional MTUs? Is that
13 an issue for you?

14 A. (Witness McKeigney) A hundred?

15 Q. Yeah.

16 A. (Witness Wood) If they've -- can I --

17 MR. TURK: Can I ask some clarification?

18 WITNESS WOOD: Yeah, can you clarify that?

19 MR. TURK: Is that after the license

20 condition has been deemed to be satisfied?

21 Q. (BY MS. CURRAN) The first license condition.
22 The first part of the license condition.

23 A. (Witness Wood) And they've gotten [REDACTED] MTU
24 commitments and you're talking about if there's an
25 incremental 100 a year or two later?

1 Q. That's right.

2 A. (Witness Wood) I don't see that as being
3 feasible. I don't think they'd go ahead with that
4 level. I mean, I think they'd have to go to a higher
5 increment before they'd proceed.

6 A. (Witness McKeigney) Just build one more pad.

7 Q. Could they build one more pad? Could they do
8 it that way? Could they add a pad's worth at various
9 intervals?

10 A. (Witness McKeigney) Well, possibly. But
11 from a business judgment standpoint, it seems perhaps
12 they might want to wait until they had a little more.
13 I'm not sure exactly what their intentions would be.

14 Q. I'm trying to get, from your point of view,
15 what those -- if there's anything that has safety
16 significance for you with respect to the staging of the
17 review after the first part of License Condition 1 is
18 met.

19 A. (Witness McKeigney) Oh, yeah. If additional
20 capacity is added to the facility, we would need to
21 review the commitments of funding. That's correct.
22 That's the last part, the second sentence of the
23 license condition. You're correct.

24 Q. I think we heard Mr. Parkyn say he assumes
25 that [REDACTED] additional MTU would come in every year. Is

1 that your recollection also?

2 A. (Witness McKeigney) Well, that was an
3 estimate related to the 40,000-MTU capacity scenario.
4 That's a forecast. As to what actually comes in, it
5 could vary, you know, significantly. But that's the
6 forecast in relation to the 40,000-MTU scenario, as I
7 understand it.

8 Q. Could PFS come in with an additional [REDACTED]
9 MTU and get you to review it, or would you insist on
10 having, say, an additional 10,000 MTU?

11 A. (Witness Wood) I think we would review
12 whatever they came in with. If they came in with a
13 hundred, we would review a hundred. But it seems
14 unlikely to me. I assume they would do that.

15 A. (Witness McKeigney) Yeah.

16 JUDGE BOLLWERK: I should just mention there
17 are water pitchers in the back if you need some more.

18 Q. (BY MS. CURRAN) I'd like to ask you a little
19 bit about the second license condition. This license
20 condition states that PFS shall not proceed with the
21 facility's operation unless it has in place long-term
22 service agreements with prices sufficient to cover the
23 operating, maintenance, and decommissioning costs of
24 the facility for the entire term of the service
25 agreements. And again, I'd like to go back to the cost

1 of operating and maintenance. Are you going to -- when
2 you make this review, are you going to make another
3 review of the cost of operating and maintenance?

4 A. (Witness McKeigney) Yes, I would expect to
5 do that.

6 Q. And how will you do that?

7 A. (Witness McKeigney) We would look at their
8 latest assumptions regarding operation, maintenance,
9 and decommissioning. And we would compare that with
10 the type of funding that they expect to receive from
11 their customers based on these service agreements, the
12 level of MTUs that are involved, and be sure that
13 there's adequate funding to cover the estimated cost.

14 Q. Now, again, this is something that happens
15 post-licensing, right?

16 A. (Witness McKeigney) That's correct.

17 Q. Is this something you expect to be a onetime
18 review or a review that's repeated over time?

19 A. (Witness McKeigney) Well, initially, for the
20 initial construction of the facility, we would make a
21 determination at that point regarding the operating,
22 maintenance, and decommissioning cost, in accordance
23 with License Condition 17.2.

24 Q. Is that it?

25 A. (Witness Wood) That's it.

1 Q. Okay. So if, in, say, year 10 --

2 MR. TURK: Excuse me one second. Can I have
3 that last answer repeated?

4 WITNESS MCKEIGNEY: And the question, please,
5 just to make sure we got I correlation there.

6 MR. TURK: Of course, your Honor can --

7 JUDGE BOLLWERK: The answer was "That's it."

8 MR. TURK: No, the one before "That's it."

9 (The following was read:

10 "Q And how will you do that?

11 "A We would look at their latest assumptions
12 regarding operation, maintenance, and decommissioning.
13 And we would compare that with the type of funding that
14 they expect to receive from their customers based on
15 these service agreements, the level of MTUs that are
16 involved, and be sure that there's adequate funding to
17 cover the estimated cost.

18 "Q Now, again, this is something that
19 happens post-licensing, right?

20 "A That's correct.

21 "Q Is this something you expect to be a
22 onetime review or a review that's repeated over time?

23 "A Well, initially, for the initial
24 construction of the facility, we would make a
25 determination at that point regarding the operating,

1 maintenance, and decommissioning cost, in accordance
2 with License Condition 17.2.

3 "Q Is that it?

4 "A That's it.")

5 MR. TURK: That's what I thought I -- I don't
6 understand.

7 WITNESS MCKEIGNEY: Well, when the initial
8 construction is approved -- say it's [REDACTED] MTUs --
9 then we make a determination regarding the facility's
10 operating cost and maintenance cost and the ability of
11 PFS to fund those costs for that size facility. Now,
12 if we proceed beyond that to additional construction --
13 that's related to the first construction, say the
14 [REDACTED] MTUs -- if we proceed beyond that with
15 additional construction, then we would need to make an
16 additional determination that there's adequate
17 operating and maintenance cost coverage at that point,
18 say on another 10,000 MTUs, and so forth --

19 WITNESS WOOD: Or whatever.

20 WITNESS MCKEIGNEY: Yeah, whatever. Could be
21 15,000. In other words, it's related to the
22 construction amount that we approve initially in the
23 first phase. In later phases, it depends upon whatever
24 additional or incremental amounts would be.

25 Q. (BY MS. CURRAN) So am I correct in

1 understanding that each time -- let's get beyond the
2 construction of the first [REDACTED] MTU capacity, okay?

3 A. (Witness McKeigney) Uh-huh (Affirmative).

4 Q. After that point, each time PFS comes in with
5 some additional service agreements and says, "We want
6 to construct some additional capacity," what are you
7 going to review at that point?

8 MR. SILBERG: Excuse me. For clarification,
9 are we talking about the first license condition or the
10 second one?

11 MS. CURRAN: On the second condition.

12 WITNESS WOOD: Yeah, I think it's an
13 incremental approach, depending on when they come in
14 with additions to capacity. At that point, we'll
15 review the levels of commitment to cover the
16 operation -- operation, maintenance, and
17 decommissioning costs of that increment of capacity.

18 WITNESS McKEIGNEY: There may be very little
19 increase or increment amounts for the O&M if they came
20 in with another 10,000 because the labor's basically in
21 place and some of the other costs for O&M would already
22 be incurred anyway, so we're not saying it's going to
23 be proportional, but we would want to be sure that it
24 was adequate to cover the additional or incremental O&M
25 costs for that additional capacity.

1 Q. (BY MS. CURRAN) Do you plan to review each
2 and every service agreement that is entered into by PFS
3 for this purpose, for the purpose of assessing the
4 adequacy of O&M funding?

5 MR. TURK: Now -- ask for clarification. I
6 think there's some misreading of the license condition
7 going on by counsel for the state. The license
8 condition would restrict the commencement of operation
9 until a certain demonstration has been made once
10 operation has commenced. Or, I should say, once the
11 license condition has been deemed to be satisfied,
12 operation commences and that's it. There is one
13 time -- there's a onetime determination as to whether
14 operation may commence. Once you've started operation,
15 you don't start it again. It's started.

16 WITNESS WOOD: Maybe we were unclear. I
17 think we would continue to --

18 MR. TURK: I think the witness was clear. I
19 think the question was . . .

20 WITNESS WOOD: I -- you know, it wouldn't be
21 a question of satisfying the license condition at that
22 point. It would just be a question of doing our
23 additional analyses as that additional information came
24 in.

25 WITNESS McKEIGNEY: Yeah, if there were any

1 incremental costs, we would want to make sure they were
2 funded. It would be the time of review for the initial
3 satisfaction of License Condition 2, if that's what
4 you're getting at, yes.

5 Q. (BY MS. CURRAN) So let me see if I
6 understand you correctly, okay? Let me tell you what I
7 think is going to happen and you tell me if I'm wrong.
8 When PFS comes in with service agreements addressing
9 the initial condition of License -- License
10 Condition 1, which is, does PFS have enough commitments
11 to fund [REDACTED] MTU capacity construction -- at that
12 point, the staff will do a review as to whether License
13 Condition 2 is also satisfied with respect to operating
14 and maintenance costs?

15 A. (Witness McKeigney) Yes.

16 MR. TURK: At the time that we're looking at
17 whether License Condition 1 has been satisfied?

18 MS. CURRAN: That's right. That's what I'm
19 trying to find out, that at the time --

20 MR. TURK: Prior to construction beginning?
21 You're asking, are we going to look at operating and
22 maintenance costs to determine if the second license
23 condition is satisfied at the same time we're deciding
24 whether or not they could go ahead and construct?

25 MS. CURRAN: I thought that's what the

1 witnesses said. So I'm trying to understand.

2 WITNESS McKEIGNEY: You mean at the exact
3 same time?

4 MS. CURRAN: Right.

5 WITNESS McKEIGNEY: I'm sorry. I'm saying in
6 conjunction with. Of course, operation is supposed to
7 start a year and a half later, maybe two years after
8 the start of construction.

9 Q. (BY MS. CURRAN) So you perceive that the
10 review for the two license conditions may be separated
11 in time somewhat?

12 A. (Witness McKeigney) They could be, but the
13 service agreements basically are going to commit the
14 customers to funding what's required for operations and
15 maintenance also. It's just that we would most likely
16 do License Condition 1, you know, the analysis of that
17 first, and then there might be some additional time for
18 analysis required for License Condition 2. It wouldn't
19 occur necessarily in the same week or the same month.

20 Q. Okay.

21 A. (Witness McKeigney) But they're in
22 conjunction -- construction and operation.

23 Q. Okay. So -- all right. Once you have
24 finished the review of License Conditions 1 and 2 for
25 the first phase of operation for [REDACTED] MTUs and

1 that -- that -- the facility is now in operation, okay?
2 Let's assume that's -- that's finished and the facility
3 is operating. Now, if PFS -- at the point when PFS
4 comes in and wants to -- wants -- supposing we're at
5 the point where PFS wants to go to Phase III, which is
6 20,000 MTUs. Now, will you do any kind of review for
7 compliance with License Condition 2 at that point?

8 A. (Witness Wood) We'll do a review, but it
9 wouldn't be in compliance with the license condition.
10 It would be something separate from the license
11 condition.

12 A. (Witness McKeigney) Yeah. I should have
13 clarified that. That's correct. It wouldn't be in
14 compliance with the license condition because it refers
15 to the initial operation.

16 Q. So License Condition 2 only applies to
17 initial operation in the facility; is that correct?

18 A. (Witness Wood) Uh-huh (Affirmative).

19 A. (Witness McKeigney) Uh-huh (Affirmative).

20 Q. Am I correct that the PFS cost estimates that
21 you have reviewed are based on a 40-year operating
22 life?

23 A. (Witness McKeigney) Well, the initial
24 license term is 20 years, with the option for extending
25 it to 40.

1 Q. And what is the operating life of the PFS
2 facility as represented in the cost estimates?

3 A. In the '98 business plan, it refers to a
4 10,000-MTU facility operating for 20 years. The other
5 two scenarios are to be for 40 years, as I understand
6 it.

7 Q. As you understand Phase I of the project as
8 described by Mr. Parkyn, that's a 10,000-MTU capacity
9 phase. Is that 10,000 MTUs for a 20-year operating
10 lifetime or 40-year operating lifetime?

11 MR. TURK: May I ask for clarification? As
12 described by Mr. Parkyn where?

13 MS. CURRAN: I'm looking at page 4 of
14 Mr. Parkyn's testimony.

15 Q. (BY MS. CURRAN) And do you have a copy there
16 or would you like me to show you one?

17 A. (Witness Wood) We have a copy.

18 MR. SILBERG: Which testimony?

19 MS. CURRAN: Mr. Parkyn's testimony,
20 Contention E.

21 MR. TURK: Three pieces.

22 MS. CURRAN: I'm sorry. Construction costs.

23 JUDGE BOLLWERK: I'm sorry. What was the
24 page identified again?

25 MS. CURRAN: Page 4 and 5.

1 WITNESS WOOD: Are you looking for an answer
2 for us?

3 Q. (BY MS. CURRAN) Yes.

4 A. (Witness Wood) The initial license is only
5 for 20 years, so we would review it against that length
6 of term.

7 Q. Do you also have Mr. Parkyn's testimony on
8 operation and maintenance costs?

9 A. (Witness McKeigney) Yes.

10 Q. And do you see at page 6 a reference --

11 A. (Witness McKeigney) Excuse me. John Parkyn?

12 Q. Yes.

13 If you turn to page six, there's several
14 references there to his assumption regarding the life
15 of the facility, are there not?

16 A. Two 20-year license terms for the facility
17 and the storage of a maximum of 40,000 MTUs. Yes, we
18 do assume that he would most likely renew it for the
19 40,000-MTU scenario for the 40 years.

20 Q. So your licensing review essentially assumes
21 that the license will be renewed?

22 A. (Witness McKeigney) Well, we need a
23 clarification. I believe your initial question when
24 you began this line of questioning dealt with 10,000.
25 And I'm not sure, you know, what PFS plans to do with

1 regard to renewal for 10,000. It looks fairly obvious
2 that for 40,000 MTUs, they would. But it's not clear
3 from the information you've pointed me to as to whether
4 or not they're likely to renew for the 10,000.

5 A. (Witness Wood) They may provide us some
6 information based on an assumed 40-year life, but the
7 finding we would make would be geared only to the first
8 license term of 20 years. We can't presume to renew a
9 license before there's an application to renew it.

10 A. (Witness McKeigney) Exactly.

11 MS. CURRAN: The state doesn't have any more
12 questions.

13 JUDGE BOLLWERK: All right. Any redirect?

14 MS. MARCO: Yes.

15 Can I have a minute, please?

16 JUDGE BOLLWERK: Sure. In fact, why don't we
17 go ahead and let's take a ten-minute break right here
18 and come back.

19 (Recess taken.)

20 JUDGE BOLLWERK: Let's go back on the record.
21 We're back after a break, and I believe we're ready for
22 the staff's redirect examination of this panel.

23 MS. MARCO: Thank you.

24 REDIRECT EXAMINATION

25 BY MS. MARCO:

1 Q. Will your review of the material submitted to
2 satisfy License Condition 2 follow the submittal and
3 the review of the material to satisfy License Condition
4 1?

5 A. (Witness McKeigney) Yes.

6 Q. Do you expect that this will be the end of
7 the construction period?

8 A. (Witness McKeigney) Most likely, yes.

9 Q. Will the applicant be required to submit a
10 certified bid or certified bids to satisfy license
11 conditions?

12 A. (Witness McKeigney) No.

13 Q. Do you expect that the applicant will come up
14 with certified bids?

15 A. (Witness McKeigney) Well, it's likely they
16 would come up with certified bids for some components,
17 perhaps all components. But we'll have to wait and see
18 what they come up with at the time that we do the
19 evaluation.

20 Q. For the things that you do not have the
21 certified bids for, what kind of information will you
22 be looking for from the applicant?

23 A. (Witness McKeigney) Well, we'd want to see
24 the most current estimates, obviously. We'd want it to
25 be expressed in the most current dollars possible and

1 with the latest information that they have available.

2 Q. Does it make a difference whether the
3 facility will operate for 20 or 40 years regarding the
4 satisfaction of License Condition 2?

5 A. (Witness McKeigney) No.

6 Q. What about the License Condition 1?

7 A. (Witness Wood) No.

8 A. (Witness McKeigney) No.

9 MS. MARCO: We do not have any further
10 questions.

11 JUDGE BOLLWERK: No further redirect. Any
12 recross?

13 MR. SILBERG: No, sir.

14 JUDGE BOLLWERK: You all are discussing
15 recross questions, right?

16 MS. CHANCELLOR: Oh, absolutely.

17 JUDGE BOLLWERK: Okay. We're all sitting
18 here. Sometimes there's other conversations going on.

19 MR. TURK: Can we go off the record for just
20 a moment?

21 JUDGE BOLLWERK: Sure. Why don't we go off
22 the record.

23 (Discussion off the record.)

24 JUDGE BOLLWERK: Let's go back on the record.
25 I think we're ready for the State's

1 of the service agreement were 40 years and the term of
2 a license is 20 years, that PFS's customers would, when
3 they got to the end of 20 years or 15 years and were
4 told, come and get your fuel, it has to be out of here
5 by the end of 20 years, would you be at all concerned
6 that they would be entitled to recoup part of the money
7 that they had put into operating and maintenance of
8 this facility because they hadn't gotten what they'd
9 contracted for?

10 A. (Witness Wood) Well, I don't think we would
11 be concerned if -- if the facility were terminated
12 after 20 years, you would have taken care of your O&M
13 costs; your decommissioning costs would have gone into
14 another fund. At that point, from a health and safety
15 point of view, we wouldn't have an additional concern.
16 I think -- I don't want to speculate on the litigation
17 between the customers and the owners of the PFS
18 facility, but I think that would be beyond our concern.

19 Q. PFS is seeking permission to build a
20 40,000-MTU facility; is that correct?

21 A. (Witness McKeigney) Yeah, that's one
22 scenario, yes.

23 A. (Witness Wood) Up to that, yeah.

24 Q. And the NRC has been asked to approve a
25 capacity of that number; is that right?

1 A. (Witness Wood) Up to --

2 Q. Up to, as high as 40,000?

3 A. (Witness Wood) Right.

4 Q. Okay. Have you evaluated the cost estimates
5 for building a 40,000-MTU facility and operating it in
6 a 20-year license term?

7 A. (Witness Wood) Well, I mean, we haven't seen
8 the full figures yet, but presumably the O&M costs are
9 going to be pretty much on an annualized basis. They
10 only go for the 20-year period, and they make that
11 showing, that's sufficient.

12 Q. But they haven't made that, right?

13 A. (Witness Wood) Well, it's what the license
14 condition will do.

15 Q. But in this record, in the materials that
16 they've submitted for review, so far they haven't
17 demonstrated that, have they?

18 A. (Witness Wood) Well, I mean, there are --

19 A. (Witness McKeigney) Are you talking about in
20 the '98 business plan where they showed the cost year
21 by year?

22 Q. I'm talking about the materials that you
23 reviewed in support of your finding in your testimony.

24 A. (Witness Wood) I mean, I think they
25 certainly have made a preliminary showing that they've

1 done that.

2 A. (Witness McKeigney) Yeah, year by year in
3 the '97 plan, that's what we had available for us for
4 the review for the SER.

5 Q. And was that not amortized over 40 years for
6 40,000 MTU's?

7 MR. TURK: Was not what amortized?

8 MS. CURRAN: The cost, the O&M cost.

9 A. (Witness McKeigney) The O&M costs were shown
10 year by year for the 40-year period, but if they ended
11 the operation in 20 years, they would be incurring no
12 additional O&M costs.

13 Q. Some of the O&M costs are fixed costs; is
14 that right?

15 A. (Witness Wood) I think some of them are,
16 yes.

17 Q. So it matters how many years you spread those
18 fixed costs out over when you reach a cost estimate,
19 doesn't it?

20 A. (Witness Wood) Not in this case, I don't
21 believe, because the service agreements provide for all
22 those costs. If in year 20 they decide to shut down,
23 they would have to pay whatever accrued or unpaid for
24 balance through the pass-through or through the service
25 agreement provisions.

1 Q. Have you seen a draft service agreement?

2 A. (Witness McKeigney) No.

3 Q. Have you seen a service agreement in any
4 form?

5 A. (Witness McKeigney) No. I've seen
6 commitments related to it, but I have not seen a draft.

7 Q. Have you seen commitments -- are you
8 referring to the text of the testimony, or are you
9 referring to some other document?

10 A. (Witness McKeigney) Primarily to the
11 testimony. There was some information in the license
12 application also as to what would be in the service
13 agreement.

14 Q. In both of the license conditions they use
15 the word "commitment," and just now you used the word
16 "commitment." What does that word mean?

17 A. (Witness McKeigney) You mean in the specific
18 context of the service agreement?

19 Q. Yes.

20 A. (Witness McKeigney) It's a contract between
21 two parties. I would presume it's a legal commitment.

22 A. (Witness Wood) Contractual obligation.

23 A. (Witness McKeigney) Contractual obligation
24 once it's signed.

25 Q. And that's what it means in the license

1 conditions also?

2 A. (Witness Wood) There are two commitments, or
3 I would see it in two ways. There's the contractual
4 obligation between the parties, PFS and its customers;
5 and there's also the commitment that the license
6 applicant has made to us to adhere to certain
7 conditions. Commitment in that sense is simply a
8 regulatory promise, if you will, they will adhere to
9 certain conditions.

10 Q. But that's not the way you used "commitment"
11 in the license conditions, is that correct, your second
12 definition?

13 MR. TURK: Just so the record is clear: do
14 you mean the state's?

15 MS. CURRAN: The second definition of
16 commitments which I think the witness said was a
17 regulatory commitment. I'm asking if that is the
18 understanding of the word as it's used in the license
19 condition.

20 A. (Witness Wood) You said License Condition 2?

21 Q. Both license conditions.

22 A. (Witness Wood) Because there's no mention of
23 commitment in License Condition 2.

24 Q. Oh, it's the word "committed," "fully
25 committed" in the first one, the verb.

1 A. (Witness Wood) But it's only in the first
2 license condition. It's not in the second one.

3 Q. Okay. That's right.

4 A. (Witness Wood) Yeah, in that sense that's
5 a -- "fully committed" is in the sense of contractual
6 obligation between the two parties.

7 Q. In interpreting the second license condition,
8 are you also looking for contractual commitments? Is
9 that implied by the word "agreement?"

10 A. (Witness Wood) Yeah. It says they shall not
11 proceed with it solely within the NRC rule, not proceed
12 with it solely unless it has in place long-term service
13 agreements with prices sufficient to cover the
14 operating, maintenance, and decommissioning costs of
15 the facility for the entire term of the service
16 agreements. And I would say the service agreements
17 themselves are this contractual obligation or
18 commitment.

19 Q. And by what means do you assure yourself that
20 the language is the language -- the language of
21 "commitment" is sufficient to satisfy both license
22 conditions, that the commitments are adequate to be
23 binding? Do you do that yourselves, or do you have an
24 attorney look at that language?

25 A. (Witness Wood) We will certainly seek advice

1 from NRC attorneys if we perceive a problem.

2 Q. So you would have attorneys look at the
3 language?

4 MS. MARCO: Objection. I don't see how this
5 is within the scope of the redirect at all.

6 JUDGE BOLLWERK: We've gone way beyond
7 redirect, and I've been sort of allowing it, but I
8 think we're way beyond it at this point.

9 MS. CURRAN: It was my last question.

10 JUDGE BOLLWERK: Are you going to allow
11 attorneys -- I think it had something to do with
12 attorney review?

13 MS. CURRAN: Yes. Are they going to for sure
14 have attorneys look at the language, is my question.

15 MS. MARCO: Even though it's the last
16 question, it's still outside the scope.

17 JUDGE BOLLWERK: I sustain the objection if
18 there's a question. I'm sorry. I apologize.

19 MS. CURRAN: All right. Well, that was the
20 last question.

21 JUDGE BOLLWERK: All right. I love to say
22 this. Any re-redirect?

23 MS. MARCO: No.

24 JUDGE BOLLWERK: All right. Board questions?

25 JUDGE KLINE: I have a couple of questions

1 concerning the quality of data needed to meet NRC
2 regulations, and it's most closely tied to your answer
3 10, and particularly the second paragraph in your
4 testimony where we'll start.

5 Have you got it?

6 MR. WOOD: Yeah.

7 JUDGE KLINE: I'm waiting for you. Were you
8 present in this proceeding for the testimony of
9 Mr. Gase and Takacs?

10 MR. McKEIGNEY: Yes.

11 JUDGE KLINE: At least one of you?

12 MR. WOOD: Yes.

13 JUDGE KLINE: Have you read their testimony
14 in writing as well?

15 MR. WOOD: Yes.

16 MR. McKEIGNEY: Yes.

17 JUDGE KLINE: Okay. Do you recall that they
18 characterize their testimony as conceptual in nature as
19 to the -- I guess it characterized the precision or
20 accuracy of their data?

21 MR. McKEIGNEY: Yes, in the conceptual
22 preliminary --

23 JUDGE KLINE: Conceptual preliminary
24 estimate.

25 MR. McKEIGNEY: Right.

1 JUDGE KLINE: Is there anything in their
2 estimate specifically presented here in this hearing
3 that falls outside of the envelope of your review where
4 you made a finding of acceptability?

5 MR. McKEIGNEY: Not to my knowledge.

6 JUDGE KLINE: Okay. Have you considered the
7 possibility that construction cost data should have the
8 accuracy and reliability of formal bids before you
9 could sign off on it as regulators?

10 MR. McKEIGNEY: No. There wouldn't have to
11 be formal bids. We would want the most current,
12 updated assumptions, the most current year's dollars
13 used, and any other supporting information that would
14 show that these were the best estimates possible. Now,
15 for some of the components of those estimates there
16 might be certified bids, in which case we would want to
17 use those that are accepted, that portion, yes.

18 JUDGE KLINE: But what I'm really asking is,
19 what is the level of accuracy of cost data needed under
20 our regulations to be acceptable for the purpose of
21 licensing? And, you know, there seems to be a big
22 spread between conceptual on the one hand and formal
23 bids on the other, which I assume imply different
24 levels of accuracy.

25 MR. WOOD: Yeah, I think in this case there

1 are a couple of mitigating circumstances. I think
2 certainly we want to get the best --

3 JUDGE KLINE: No, I understand we want to do
4 the best we can. There might be a time --

5 MR. WOOD: We also have -- with the service
6 agreement do have the Provision 4, pass-through of
7 additional costs. And I think this facility is a
8 little bit unusual in the sense that they've -- given
9 the service agreements and given that the owners are
10 also in many cases the customers, that it's hard for me
11 to see that it's in their -- would be in their interest
12 to underestimate the costs.

13 I think the owners as owners would want to
14 have -- to base their best business decisions, they
15 would want to have the best estimate that they could
16 come up with. And I think we would certainly review
17 that and we would look, as Dr. McKeigney said, we would
18 certainly look at the bids wherever they came in. But
19 in the absence of that, we have to rely on their
20 specific business decisions.

21 JUDGE KLINE: Okay. Well, that's what you
22 have to rely on. The Board has to rely on the record,
23 and the record we have is of conceptual estimates. And
24 the question is, are they -- are they -- you have said
25 that these kind of estimates apparently are acceptable

1 for the purpose of licensing. Is that -- with respect
2 to their quality, the quality of the data, the accuracy
3 or precision of the data.

4 MR. WOOD: Well, there will be a further
5 refining --

6 JUDGE KLINE: I understand, but we may not
7 see it in this proceeding.

8 MR. McKEIGNEY: Yeah, 72-22 E says that we
9 are to look at the estimated construction, operating,
10 and decommissioning cost of the facility. It doesn't
11 specify exactly what stage, but continual, you know.

12 JUDGE KLINE: Yeah, I understand that.
13 That's what I'm trying to thrash out here.

14 MR. McKEIGNEY: So we're committed to taking
15 the best available information. For example, in the
16 May 2000 construction estimate, we understand that
17 that's based on fourth quarter 1999 information, and
18 also the assumptions have been refined and improved
19 over time, which a business typically does. And this
20 is the type of estimate that we like to see. This is,
21 you know, to us preferable to the earlier.

22 JUDGE KLINE: Sure, I understand.

23 MR. McKEIGNEY: Also, the Stone & Webster
24 data base that was used for much of that estimate is
25 continually updated.

1 JUDGE KLINE: Okay. In the course of your
2 review, does the fact that there are what you might
3 call open alternatives, for example, carrying fuel by
4 heavy haul truck or by railroad, does this cause
5 difficulties relevant to licensing in your review of
6 cost estimates?

7 MR. McKEIGNEY: That did not present a
8 concern to me specifically. As I recall, the life
9 cycle cost of the ITP was [REDACTED], and the railroad
10 option was [REDACTED]. And that cost spread over a
11 period of years, that \$2 million difference did not
12 seem to be significant.

13 There were some other costs that still have
14 not been resolved, but compared to the scope of this
15 project in terms of hundreds of millions -- well,
16 actually operating costs of [REDACTED] or more,
17 depending on the scenario, and construction costs
18 ranging from [REDACTED] in the estimates, we
19 really are not concerned. Those uncertainties seem to
20 be immaterial. We're not concerned.

21 JUDGE KLINE: Okay, thank you.

22 JUDGE LAM: Mr. Wood and Dr. McKeigney, in
23 reviewing the applicant's financial qualification, how
24 much time have you gentlemen spent on the review?

25 MR. McKEIGNEY: Give me a moment, please.

1 JUDGE BOLLWERK: Will this information go to
2 the IG, or --

3 JUDGE LAM: Which will set the background for
4 my next question.

5 MR. TURK: You're not looking for the kind of
6 answer I got from Mr. Wise, the firefighter.

7 MR. McKEIGNEY: I would estimate several
8 hundred hours, perhaps four or five hundred hours. I
9 would have to go actually back and look at my time
10 information for two years.

11 JUDGE LAM: Two years?

12 MR. McKEIGNEY: Actually, I'm sorry; it's
13 almost been three years since I started.

14 MR. WOOD: I would say mine has probably been
15 more in the neighborhood of two hundred hours over that
16 period of time.

17 JUDGE LAM: To what level of detail have you
18 taken your review? Let me be more specific. Do you
19 look at the applicant's information in the prima facie
20 level and assume its accuracy, or have you performed
21 independent analysis to validate some of the data
22 provided to you?

23 MR. WOOD: We're not cost estimators, so we
24 haven't performed an independent analysis. On the
25 other hand, I think we've gone beyond the prima facie

1 evaluation of the estimates because we've looked at --
2 we both have experience in a variety of nuclear
3 facilities and costs and other ISFSIs at reactor sites,
4 and we've tried to look at the costs of those and come
5 up with some sort of comparative judgment as to how
6 this estimate fits into that in terms of the key
7 parameters and steps that have been identified in that
8 process.

9 JUDGE LAM: So you do perform comparative
10 analyses?

11 MR. WOOD: To some degree, based on our
12 experience with other facilities, yes.

13 JUDGE LAM: Gentlemen, on page 7 of your
14 prefiled testimony you indicate both of you are mindful
15 of a reasoned commission guidance given in Commission
16 Order 98-13 stating that second guessing private
17 business judgments should be avoided to the maximum
18 extent practicable.

19 MR. McKEIGNEY: Yes.

20 JUDGE LAM: How are you applying this
21 guidance in performing your analysis?

22 MR. WOOD: Well, I think that's one reason
23 why we haven't hired an independent contractor to
24 replicate a cost, a construction and operation and
25 maintenance cost and decommissioning cost projection.

1 You know, we -- the point I tried to make with Judge
2 Kline earlier was that this is kind of a unique
3 situation. Didn't seem to me that it would be in
4 the -- given the kind of unique nature of this facility
5 and the customers and the owners in many cases being
6 the same party would want to perform a cursory review.

7 So I mean, we did take -- we gave a fair
8 amount of credence to their estimate, particularly
9 given the fact that they used Stone & Webster, someone
10 with that level of credibility in making these types of
11 estimates. But we did want to perform a confirmatory
12 review that they in fact did have the major components
13 covered. We did want to use our experience in terms of
14 at-reactor ISFSI's to see what costs were covered
15 there.

16 MR. McKEIGNEY: Yes. And we also noticed
17 over time that they continued to refine and improve
18 their assumptions and give a greater level of detail as
19 they moved from the 1997 estimates to the fourth
20 quarter '99 estimate which we saw in May of 2000. And
21 we also gave attention to the mathematics involved,
22 made sure that the calculations were appropriate.

23 JUDGE LAM: Thank you, Dr. McKeigney and
24 Mr. Wood.

25 JUDGE BOLLWERK: I have no questions. Are

1 there any party questions?

2 MS. MARCO: No.

3 MS. CURRAN: Yes.

4 JUDGE BOLLWERK: All right. Staff counsel?

5 MS. MARCO: No.

6 MR. TURK: We have none.

7 FURTHER RECROSS-EXAMINATION

8 BY MS. CURRAN:

9 Q. I believe you said several times that this is
10 an unusual situation in the sense that most of PFS's
11 customers will be its own members; is that right?

12 A. (Witness Wood) That's right.

13 Q. But it's also true, isn't it, that PFS is
14 trying to attract non-member customers to this project?

15 A. (Witness Wood) That's correct.

16 Q. So it isn't uniformly the case that PFS would
17 have no business incentive to make this project look
18 attractive?

19 A. (Witness Wood) Well, I think given the fact
20 that the cost records in -- at least in the NRC demand
21 will be unlikely for them to keep two sets of books, if
22 you will, one for owners' costs and one for customers'
23 costs. I think they'd have to do as much of an
24 accurate estimate as they could. Yeah, they certainly
25 would want to make the project look attractive, but at

1 the same time, they can't, that I could see, make the
2 cost estimates, either underestimate them or
3 overestimate them for whatever class of the customer,
4 whether it's customer or customer owner that they have.
5 It's got to be one set of figures. That one set of
6 figures, then the owners are going to make a business
7 decision as to whether to pursue the project or not
8 based on the ultimate economics of the thing.

9 Q. And you've certainly only ever seen one set
10 of figures, right?

11 A. (Witness Wood) That's right.

12 MR. TURK: May I ask for clarification on
13 that? Dr. Sheehan says it's replete with a
14 demonstration that we've seen different sets of figures
15 over time.

16 Q. (BY MS. CURRAN) Well, you're not aware --
17 I'm just trying to clarify that you're basing your
18 testimony on what you've seen, and you don't have any
19 idea what else might exist because it wouldn't be
20 submitted to you?

21 A. (Witness Wood) Well, that's true.

22 MR. SILBERG: Object to that question as
23 rhetorical.

24 Q. (BY MS. CURRAN) I don't want to go a long
25 way down this road; but if someone keeps two sets of

1 books, they're certainly not going to submit one to the
2 regulator -- both of them to the regulator. Is that
3 correct?

4 MR. SILBERG: I object to this whole line of
5 question as being totally outside the scope of the
6 record, if not decency.

7 MS. CURRAN: I have no more questions.

8 JUDGE BOLLWERK: All right. All right, at
9 this point, then, no other Board questions?

10 JUDGE LAM: No.

11 JUDGE BOLLWERK: Then I think we've completed
12 the testimony, gentlemen, of NRC staff on contention E.
13 I thank both of you for your service to the Board and
14 your time today, and you are dismissed subject to being
15 recalled as necessary.

16 I think we're then ready to move, unless
17 someone corrects me, to rebuttal. Am I correct in that
18 assumption? All right. Does the applicant have any
19 rebuttal testimony?

20 MR. SILBERG: Yes, we do. If I could ask
21 Messrs. Gase and Takacs to return to the stand.

22 JUDGE BOLLWERK: All right, gentlemen.
23 You've previously been sworn and you remain under oath.

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JOSEPH F. GASE

and

GEORGE TAKACS

were called as witnesses on behalf of the Applicant and, having been previously duly sworn, were examined and testified as follows:

REBUTTAL EXAMINATION

BY MR. SILBERG:

Q. Mr. Gase, Dr. Sheehan in his response to Ms. Chancellor's questions and elsewhere referred to the drawings that Stone & Webster used to develop the construction cost estimates as back-of-the-envelope. Did you in your testimony on cross-examination last week suggest or mean to suggest that the drawings used by Mr. Takacs to perform his cost estimates were back-of-the-envelope drawings?

A. (Witness Gase) No.

Q. Mr. Takacs, I'm showing you a series of drawings which have previously been distributed to the parties and the board and marked as Exhibit K comprising eight pages. Would you briefly describe these drawings?

A. (Witness Takacs) Okay, there's a floor plan and elevations related to the administration building, also floor plan and elevations related to the operation

1 and maintenance building, floor plan again and
2 elevations related to the security and health physics
3 building, and then electrical one-line diagram for
4 those buildings.

5 Q. Are these the drawings that you used to
6 develop the cost estimates for these buildings?

7 A. (Witness Takacs) Yes, they are.

8 MR. SILBERG: I would ask the board if we,
9 having marked this exhibit, have it introduced into
10 evidence at this time as Applicant's Exhibit K.

11 JUDGE BOLLWERK: All right. Let the record
12 reflect that the exhibit as identified by counsel and
13 described by the witness has been marked for
14 identification as Exhibit K.

15 [Applicant's Exhibit K was
16 marked for identification.]

17 The motion has been made that it be admitted.
18 Any objection?

19 MS. MARCO: No objection.

20 MS. CURRAN: No objection.

21 JUDGE BOLLWERK: No objection, then Exhibit K
22 is admitted -- PFS Exhibit K is admitted into evidence.

23 [Applicant's Exhibit K was
24 received into the record.]

25 MR. SILBERG: Thank you, Mr. Chairman.

1 Q. (BY MR. SILBERG) Mr. Gase, asking you to
2 look at the drawings that have been introduced and
3 accepted into evidence as Exhibit K. Do you consider
4 these drawings to be back-of-the-envelope?

5 A. (Witness Gase) No, I do not.

6 Q. Mr. Takacs, do these drawings -- did these
7 drawings allow you to develop cost estimates which will
8 reasonably predict the eventual cost of these
9 structures?

10 A. (Witness Takacs) Yes.

11 Q. And are these estimates likely to
12 overestimate the eventual costs as opposed to
13 underestimating them?

14 A. (Witness Takacs) I believe so, yes.

15 Q. I'm sorry. You believe they would
16 overestimate?

17 A. (Witness Takacs) I believe that, if
18 anything, there's a pretty good chance that final
19 construction costs would underrun my estimate.

20 MR. SILBERG: I have no further questions for
21 these witnesses.

22 JUDGE BOLLWERK: All right. Any
23 cross-examination?

24 MS. CURRAN: Yes.

25 JUDGE BOLLWERK: All right.

1 A. (Witness Takacs) No, it's a preliminary --
2 it's beyond conceptual.

3 Q. Is it a -- you had described a number of
4 stages of drawings -- of cost estimates, okay, before.
5 Do you recall that you identified the conceptual stage,
6 the structural stage, the preliminary stage, and the
7 detailed stage?

8 MR. SILBERG: Just a minute. I think that
9 mischaracterizes the witnesses' testimony. I think
10 they were talking about different types of drawings and
11 not different types of cost estimates.

12 Q. (BY MS. CURRAN) Did that relate to drawings?

13 A. (Witness Takacs) No, I don't think so.
14 Well --

15 Q. Why don't you tell me what it related to.

16 MR. SILBERG: Well, why don't you ask the
17 question or show him the transcript.

18 Q. (BY MS. CURRAN) In your previous testimony,
19 did you describe several stages of drawings?

20 A. (Witness Takacs) I did not, I don't believe.

21 Q. To what did you apply the term "conceptual"?

22 MR. SILBERG: I'm sorry. Who are you
23 addressing that to?

24 MS. CURRAN: Mr. Takacs.

25 A. (Witness Takacs) I don't believe I did.

1 MR. TURK: This was Mr. Gase's testimony.
2 That's where it first came.

3 MS. CURRAN: All right. I found the page in
4 the transcript, so that may help. I'm on page 1694 and
5 1695.

6 MR. SILBERG: I believe that's Mr. Gase's
7 testimony.

8 MS. CURRAN: Right.

9 MR. SILBERG: I believe it relates to
10 drawings.

11 Q. (BY MS. CURRAN) Okay, there's a question,
12 "These structural drawings, are these the drawings that
13 will be used to take bids for the project?" Answer
14 from Takacs, "I can't say that." Answer from Gase, "I
15 would offer a crack that they will not."

16 Question, "They will not?" Answer, "That
17 they will be further detailed. If I can only offer
18 that I believe in our business we go from conceptual
19 drawings in general, to sequence your question, I
20 believe, we go from conceptual drawings to a
21 preliminary drawing to detailed drawings, and then
22 there is also a construction set of drawings, so as we
23 evolve through the design process. The detailed
24 drawings, though, should be sufficient to support
25 getting an accurate bid for the client. The conceptual

1 drawings, or as referred to here as preliminary
2 drawings that we use for this effort you could not put
3 out for bid with a reasonable expectation."

4 So what I'm asking you is, both of you, is
5 this a conceptual drawing or is it some other stage of
6 drawing?

7 A. (Witness Takacs) These I would say are
8 beyond conceptual. They're preliminary drawings.

9 Q. And what makes them preliminary drawings?

10 A. (Witness Takacs) Well, for one, the
11 information conveyed on them. They have been signed
12 off by the engineers.

13 Q. These are not bid drawings; is that correct?

14 A. (Witness Takacs) No, they aren't.

15 Q. What would make these unsuitable as bid
16 drawings?

17 A. (Witness Takacs) Well, bid drawings, these
18 drawings themselves would have more information on
19 them, plus there would be a lot more -- a lot more
20 drawings to develop, plus specifications that go with
21 them.

22 Q. What kind of information would a bid drawing
23 have on it? And maybe you want to -- shall we pick the
24 mechanical equipment room, which is at the top
25 left-hand corner of this diagram? Can you give me as

1 an example what a bid drawing would include?

2 A. (Witness Takacs) A bid drawing would
3 probably have additional either information on this
4 drawing or other drawings that would show the overall
5 dimensions of that room. There would probably be an
6 architectural finish schedule to tell you what type of
7 finishes are in each room, door schedules,
8 specifications related to the materials and
9 construction.

10 Q. Would there be a detailed plumbing plan for
11 this building?

12 A. (Witness Takacs) There would be plumbing
13 plans, there would be electrical plans, lighting plans.

14 Q. Would there be a ventilation and heating
15 plan?

16 A. (Witness Takacs) HVAC plans, yes.

17 Q. What other kinds of plans would accompany
18 this particular -- a drawing for this particular
19 elevation?

20 A. (Witness Takacs) Well, there would be the
21 structural plans related to the foundation.

22 MS. CURRAN: I don't have any more questions.

23 JUDGE BOLLWERK: All right. Anything from
24 the staff?

25 MS. MARCO: No.

1 JUDGE BOLLWERK: All right. Any re-redirect?

2 MR. SILBERG: No, we don't have any.

3 JUDGE BOLLWERK: All right, then. Any Board
4 questions?

5 JUDGE BOLLWERK: All right, gentlemen. Thank
6 you very much again for your service to the Board and
7 your testimony this afternoon. And you are dismissed
8 subject to being recalled if necessary.

9 MR. SILBERG: If I could ask Mr. Parkyn to
10 re-take the stand.

11 JOHN D. PARKYN
12 was called as a witness on behalf of the Applicant and,
13 having been previously duly sworn, was examined and
14 testified as follows:

15 REBUTTAL EXAMINATION

16 BY MR. SILBERG:

17 Q. Mr. Parkyn, I'm showing you a transmittal
18 letter from David B. Ripsom, R-i-p-s-o-m, vice
19 president and general counsel of NEIL, N-E-I-L, which
20 is the Nuclear Electric Insurance Limited, which
21 attaches a letter dated June 26, to you from
22 Mr. Ripsom. I'd ask you to identify that letter,
23 please.

24 JUDGE BOLLWERK: I should mention, sir, you
25 were previously sworn and under oath.

1 MR. SILBERG: Yes. And I previously
2 distributed copies to the opposing parties.

3 A. Yes, I can identify this letter.

4 Q. Is that a letter that was sent to Private
5 Fuel Storage from NEIL?

6 A. It is.

7 MR. SILBERG: Mr. Chairman, I'm giving the
8 reporter a copy of the document just identified as
9 Exhibit L and ask that it be admitted into evidence.

10 JUDGE BOLLWERK: Let the record reflect that
11 the document described by counsel and the witness has
12 been marked for identification as Exhibit -- PFS
13 Exhibit L.

14 [Applicant's Exhibit L
15 was marked for identification.]

16 And there is a motion to have it admitted?

17 MR. SILBERG: Yes.

18 JUDGE BOLLWERK: All right. Any objections?

19 MS. MARCO: No objection.

20 MS. NAKAHARA: No objection.

21 JUDGE BOLLWERK: All right. Then PFS Exhibit
22 L is admitted into evidence.

23 [Applicant's Exhibit L was
24 received into the record.]

25 Q. (BY MR. SILBERG) I have two other questions

1 for Mr. Parkyn. Mr. Parkyn, in question and answer 31
2 in Dr. Sheehan's testimony, he states that the 1998
3 business plan includes costs associated with steps 3
4 and 4 and states that these costs are relevant to cost
5 estimates to the extent that they're recouped
6 through -- from construction funding or operations.

7 First, can you explain what steps 3 and 4 costs are?

8 A. Step 3 costs are costs that were incurred in
9 preparation of the license application to the Nuclear
10 Regulatory Commission. Step 4 costs were those costs
11 incurred after submittal to the Nuclear Regulatory
12 Commission and license application and their finding
13 that it was sufficient to constitute an application,
14 and the issuance of a license itself.

15 Q. And these are preconstruction costs?

16 A. That's correct.

17 Q. And Dr. Sheehan says that these costs are
18 relevant to the cost estimates that are the subject of
19 this hearing to the extent that they are recouped from
20 construction funding or operations. Will those costs
21 be recouped from construction funding or operations?

22 A. They will not be recouped from construction
23 funding. They are not scheduled for recoupment as a
24 specific cost listed in the operations and maintenance
25 budget. If revenue exceeds costs by a sufficient

1 amount to pay back any monies to the owner, that is the
2 only way that they would be recouped.

3 Q. Thank you. In his question and answer 75
4 Dr. Sheehan quotes a sentence from the 1998 business
5 plan. It states that that portion of the business plan
6 analysis used assumptions based on those used in an
7 April 1995 business plan. In that statement
8 Dr. Sheehan concludes that the estimates have no
9 "credibility," quotes around credibility. Did the
10 assumptions from the 1995 business plan that were used
11 in the 1998 business plan involved the estimates of
12 costs for construction or operation?

13 A. No.

14 MR. SILBERG: I have no further questions.

15 JUDGE BOLLWERK: All right.

16 Cross-examination of the witness? Rebuttal?

17 MS. NAKAHARA: Can we take a few minutes?

18 JUDGE BOLLWERK: Yes. Does the staff have
19 any questions?

20 MS. MARCO: No.

21 JUDGE BOLLWERK: All right.

22 MR. SILBERG: Is a few minutes a few minutes
23 to take a break?

24 JUDGE BOLLWERK: Yes. Why don't we take a
25 ten-minute break.

1 (Brief Recess.)

2 JUDGE BOLLWERK: Why don't we go ahead and go
3 back on the record. I think we're ready for
4 cross-examination by the State of Mr. Parkyn's rebuttal
5 testimony.

6 SURREBUTTAL EXAMINATION

7 BY MS. NAKAHARA:

8 Q. Good afternoon, Mr. Parkyn. I have a couple
9 questions about PFS Exhibit L. Is it correct that the
10 letter is signed by David B. Ripsom, who I gather by
11 the letterhead is vice president and general counsel of
12 NEIL?

13 A. That's correct.

14 Q. Is this -- is it your understanding that this
15 is a legal opinion rendered by Mr. Ripsom as to whether
16 the war risk exclusion covers military training
17 exercises?

18 A. Well, he represents NEIL in this particular
19 case, so it's certainly a response as to what they will
20 cover. I think it's heightened by the fact that they
21 chose to have their general counsel as their lawyer
22 back that interpretation up that in fact military
23 training is not excluded, nor is the proximity to
24 military posts a reason why he would invoke that
25 exclusion.

1 Q. Is it your understanding that military
2 training would include any weapons testing?

3 A. Certainly.

4 Q. And what is the basis of your understanding
5 that military training would include weapons testing?

6 A. Among other things, two years of service in
7 the United States Army.

8 Q. Okay. And is it your understanding that this
9 letter is binding on NEIL should PFS file a claim?

10 A. I would accept it as binding on NEIL once PFS
11 has their policy with them, which I believe Mr. Pickerl
12 explained should identify all the claims, certainly.

13 Q. And do you have any interpretation of the war
14 risk exclusion from the lending companies that have
15 offered the additional [REDACTED] in nuclear property
16 insurance coverage?

17 A. Not that I'm aware of beyond this, no.

18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

- 1 [REDACTED]
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[REDACTED]

MS. NAKAHARA: I have no other questions.
Thank you.

JUDGE BOLLWERK: All right. I believe the
staff did not have any questions?

MS. MARCO: No.

JUDGE BOLLWERK: All right. Any redirect on
rebuttal?

MR. SILBERG: No.

JUDGE BOLLWERK: All right. Then Mr. Parkyn,
I thank you for your time. You are excused subject to
being recalled. Thank you.

Any other PFS rebuttal witnesses?

MR. SILBERG: No. That completes our
rebuttal.

JUDGE BOLLWERK: All right. Does the staff
have any rebuttal witnesses?

MS. MARCO: Yes, the staff does. We'd like
to call back Alex McKeigney and Robert Wood.

ALEX F. McKEIGNEY

and

ROBERT S. WOOD

were called as witnesses on behalf of the Staff and,

1 having been previously duly sworn, were examined and
2 testified as follows:

3 JUDGE BOLLWERK: All right, gentlemen, you've
4 previously been sworn and you remain under oath.

5 REBUTTAL EXAMINATION

6 BY MS. MARCO:

7 Q. Does the NRC require that sources and data of
8 underlying costs be stated in an estimate?

9 A. (Witness McKeigney) No.

10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
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3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]

11 Q. Do you believe that the applicant's
12 consideration of cost escalators as described in the
13 construction and operating costs testimony is
14 acceptable?

15 A. (Witness McKeigney) Yes.

16 Q. And what is your basis for that?

17 A. (Witness McKeigney) Well, they've indicated
18 specific escalation indices for both construction and
19 O&M in their testimony regarding those two estimates,
20 and we consider those to be appropriate based on the
21 types of factors they were escalating.

22 Q. In your opinion, does the applicant
23 understand its funding commitment?

24 A. (Witness McKeigney) Yes. The applicant has
25 made a commitment to the NRC not to proceed with

1 construction and operation until it satisfies the
2 license conditions, till it has sufficient funding.

3 Q. Given the fact that the applicant has
4 submitted to you various cost estimates throughout the
5 course of your review and up to now, which one of those
6 applicant's submittals will you be looking at to
7 determine satisfactory license conditions?

8 A. (Witness McKeigney) The most current
9 submittal.

10 Q. And if a further submittal does come in,
11 which submittal up to today's date would you compare
12 to?

13 A. (Witness McKeigney) You're talking about in
14 the future, right?

15 Q. Yes.

16 A. (Witness McKeigney) A future submittal we
17 would definitely look to that as the most current. I
18 thought you meant just as to what we've seen so far.

19 A. (Witness Wood) And we would compare that to
20 the latest submittal.

21 A. (Witness McKeigney) Right.

22 MS. MARCO: Thanks. I don't have any more
23 questions.

24 JUDGE BOLLWERK: All right. Does PFS have
25 any cross-examination?

1 MR. SILBERG: No cross-examination.

2 JUDGE BOLLWERK: State cross-examination?

3 MS. CURRAN: No, we don't have any questions.

4 JUDGE BOLLWERK: All right. Any Board
5 questions?

6 JUDGE BOLLWERK: All right. I just have one
7 question. Obviously you've made it clear that you're
8 going to be looking at the most recent cost estimates
9 you're provided with. What the Board has in front of
10 it is the information that we have now to make a
11 licensing decision. How is this information we have
12 now any better or any worse than probably what you're
13 going to be seeing in six months in terms of our
14 ability to make a determination here?

15 MR. WOOD: I don't think we expect to see any
16 significant variation. If there is, it's probably
17 going to be a reduction in cost because of what we've
18 heard. But I think it's not -- the differences will
19 probably not be material [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 JUDGE BOLLWERK: All right. Any other Board
25 questions? Any questions from --

1 your service to the Board.

2 Any other staff rebuttal witnesses?

3 MS. MARCO: No.

4 JUDGE BOLLWERK: All right, I think we're to
5 the state rebuttal witnesses.

6 MS. CHANCELLOR: Can we take five minutes,
7 Your Honor?

8 JUDGE BOLLWERK: Yes.

9 MR. SILBERG: Do you have an estimate on how
10 long? Still an hour?

11 MS. CHANCELLOR: Half an hour to an hour.

12 JUDGE BOLLWERK: Is five minutes enough?

13 MS. CHANCELLOR: We might take a PFS five
14 minutes if we can't do it in five.

15 JUDGE BOLLWERK: All right, let's take ten
16 minutes, then, and then we'll make this the final
17 break.

18 (Brief Recess.)

19 JUDGE BOLLWERK: All right, we're back after
20 a break to hear state rebuttal testimony from
21 Dr. Sheehan, I believe. And sir, you are under oath,
22 sworn and remain under oath.

23 MICHAEL F. SHEEHAN

24 was called as a witness on behalf of the State and,
25 having been previously duly sworn, was examined and

1 testified as follows:

2 REBUTTAL EXAMINATION

3 BY MS. NAKAHARA:

4 Q. Good afternoon, Dr. Sheehan.

5 A. Good afternoon.

6 Q. Is it correct that you heard the NRC staff
7 witnesses say that they will review the service
8 agreements and construction bids or vendor bids to
9 determine whether License Condition 1 is met?

10 A. Yes.

11 Q. If you were responsible for reviewing the
12 adequacy of the service agreement, what factors would
13 you evaluate?

14 A. I'd want to first look at the adequacy of the
15 dollar commitment, want to see if the numbers were
16 right.

17 Secondly, I'd want to look at the timing,
18 because we know that the service agreements are
19 variable with respect to when the fuel comes on site.
20 And some of the payments that have to be made depend
21 upon when the fuel is to arrive. So you may have a
22 commitment that entails a [REDACTED] up-front fee for
23 construction, but if the fuel is not supposed -- is not
24 set to arrive until a couple years later, for instance,
25 some of that money might not be coming in at same or

1 approximately the same time. So I'd want to look at
2 timing.

3 I'd want to see if there was any conflict
4 between the License Condition No. 1 and License
5 Condition No. 2. That is to say, if the applicant came
6 in and said, we have enough money to build a [REDACTED]-MTU
7 facility counting all [REDACTED] of a limited number of MTU,
8 which, if you used all [REDACTED] of a limited number of MTU
9 and that worked out to be [REDACTED]
10 [REDACTED] which was adequate for construction,
11 you'd want to be absolutely certain that you did not
12 count any of that money as satisfaction of the second
13 license condition.

14 It seems to me that you'd certainly want to
15 avoid doing that, otherwise you could have a situation
16 where the company was underfunded for O&M and cut
17 corners and create a safety hazard.

18 And finally, Mr. Parkyn has said that the
19 basic term, basic price terms would be the same in the
20 license conditions for everyone, but there has been
21 some discussion that there may be variation in the
22 negotiation of individual -- individual service
23 agreements. I would want to be very certain if there
24 was any variation that affected price; and not only
25 would I want to see the service agreements, I'd want to

1 be sure that there were no side agreements or something
2 like that that affected the revenue that was coming in.

3 Those are the four things that I would look
4 at together with the bid amounts.

5 Q. And how would you assure that those
6 considerations were considered?

7 MR. TURK: Your Honor, I don't know how this
8 relates to the scope of the contentions before the
9 board. I think they're going far afield now into the
10 license condition satisfaction.

11 MS. NAKAHARA: It goes to first the staff's
12 testimony, and it goes to how and when costs are
13 actually incurred and how the costs are going to be
14 actually tied to 10 CFR 72-22 E as it's effectuated
15 during the license conditions. I mean, we have to
16 consider all of it together, or none of this has any
17 meaning.

18 MR. TURK: The staff's direct testimony did
19 not address license conditions. The board may recall
20 that Ms. Marco had objected when the staff was
21 cross-examined with respect to license condition
22 matters, and the board indicated it would allow a
23 certain amount of latitude in the cross-examination.
24 What the state is now trying to do is to use their own
25 cross-examination as a basis for rebuttal testimony.

1 MS. NAKAHARA: It's based on what the staff
2 said. I think the state has a right to rebut what the
3 staff said, their opinions.

4 JUDGE BOLLWERK: I'll permit the question.

5 MR. SILBERG: Can we have the question read
6 back, please, if there's one pending?

7 (The record was read.)

8 Q. (BY MS. NAKAHARA) I have a new question.
9 Let me rephrase it. You identified four concerns that
10 you thought should be considered in addressing license
11 conditions. How would you propose that your concerns
12 are addressed?

13 A. Well, you first have to identify the scope of
14 the project to make sure you had everything in the
15 project that's supposed to be in there, and some of
16 that was addressed by the staff. They'd want to be
17 sure that everything that was supposed to be there was
18 actually represented in the sheets.

19 But secondly, you might, with respect to some
20 of these, you might want to roll them into a license
21 condition or another part of a license condition.

22 Q. Thank you. Earlier you testified that you
23 thought construction bids or vendor bids were necessary
24 to provide a reasonable understanding of the
25 construction costs for the Private Fuel Storage

1 facility. Is this still your opinion after hearing
2 today's testimony?

3 A. Definitely.

4 Q. Why?

5 A. Well, again, what we have here is a situation
6 with respect to construction where we're going to have
7 the actual bids soon, all right, soon. They're going
8 to start construction on this by November of 2001.

9 Since we're going to have those actual bid
10 amounts which are valid, which are accurate in the
11 business sense, these are the amounts that contractors
12 actually are saying we'll do the work for, and would
13 presumably be binding if accepted. That, in light of
14 the fact that it's going to happen soon, is the most
15 reasonable estimate to accept.

16 To sit down and accept an estimate that was
17 based on earlier data complicated by escalators, in
18 that sense to have these intervening complicating
19 factors when the actual correct amount is immediately
20 available is to me unreasonable. It is not reasonable.

21 You're going to have the actual answer for,
22 you know, a correct -- in the bid you're going to have
23 that answer soon. To sit down and say, well, that
24 might come in a month from now, but we're going to go
25 with an estimate based on escalators rather than

1 waiting an extra month or something like that I would
2 say was unreasonable if we want to be sure that we have
3 a valid cost figure here.

4 Q. Thank you. Is it correct that the -- or do
5 you recall that the NRC staff witnesses testified today
6 that if -- do you recall that NRC staff witnesses
7 testified that it finds PFS's treatment of pass-through
8 costs acceptable and that this is similar to the cost
9 plus accounting for other construction projects?

10 A. Yes, I heard that testimony.

11 Q. Do you agree with their assessment?

12 A. Well, I don't agree with their assessment in
13 that the issue here is whether or not a cost is not a
14 cost because it is treated as a pass-through for the
15 tabulation of revenues. What they're saying, PFS is
16 saying we're going to get -- we have certain amount of
17 costs, we have a list of costs. Some of those costs
18 are going to be paid through one mechanism, the [REDACTED] per
19 kilogram, and another set of those costs may be paid
20 through an alternative mechanism, which is sending a
21 bill directly to the company in addition to the [REDACTED]

22 How the revenues come in does not affect
23 whether a cost is a cost. You have the revenue side,
24 you have the cost side. It's a cost regardless of
25 which mechanism is used to pay it. The fact that it's

1 a pass-through cost, if PFS pays it and then sends a
2 bill does not make it any the less of a cost.

3 Q. Thank you. Do you recall Mr. Wood testified
4 that there is basically no difference in cost estimates
5 between a 20-year facility and a 40-year facility?

6 A. Yes, I recall that.

7 Q. Do you agree?

8 A. I do not.

9 Q. Why?

10 A. Well, in a major way for the following.
11 You'll recall that we had testimony early on here that
12 capital costs, costs of construction, for instance, the
13 cost of locomotives; putting buildings up, all those
14 sort of capital costs are construction costs in the
15 first instance; but when they have to be renewed, when
16 that capital asset wears out and has to be renewed,
17 that that cost is not a construction cost, it's an O&M
18 cost.

19 Now, if you have a 20-year facility and you
20 have all of this equipment that's been purchased, all
21 of this capital construction that's gone in, we've
22 built the Low Rail or we've built the ITF or we've
23 built cranes and buildings and put in office equipment
24 and all that sort of thing, it is -- the first purchase
25 of all of that stuff is a capital and most likely a

1 construction cost. In most cases PFS has characterized
2 it as construction cost.

3 As you go from a 20-year facility to a
4 40-year facility, in the second 20 years that stuff is
5 much more likely to wear out and have to be renewed in
6 the second 20 years than in the first 20 years. All
7 right? In that sense, then, the O&M budget gets a free
8 ride on that equipment for the first 20 years, but when
9 it has to be renewed it shows up as an O&M cost. You
10 will then have in the second 20 years a greater
11 concentration of capital renewal related O&M costs than
12 you had in the first 20 years.

13 If this facility goes from -- is not a
14 20-year facility but a 40-year facility, at least to
15 that substantial extent, the costs will be higher in
16 the second 20 years than in the first 20 years. The
17 O&M cost, by which I mean to say.

18 Q. Do you recall that Mr. Wood testified in
19 response to a question from Judge Kline that because
20 life cycle costs of the rail spur and the ITF are
21 approximately within two million dollars, that's not
22 relevant?

23 MR. SILBERG: Excuse me. Could I just have
24 that read back, please?

25 (The record was read.)

1 A. Yes, I recall that.

2 Q. If I could ask you to look at State Exhibit
3 17.

4 A. State Exhibit 17 is the Private Fuel Storage
5 facility transportation study. I've looked at it.

6 Q. Does this exhibit specify the operating costs
7 for an intermodal transfer facility?

8 A. Yes, it does. The operating costs for a
9 40-MTU facility, that's estimated cost of option IT-3
10 on page 19 is [REDACTED].

11 Q. Did you mean a 40,000-MTU facility?

12 A. 40,000-MTU facility. Sorry.

13 Q. Does this document also describe the
14 operating maintenance costs for the proposed rail spur?

15 A. That's on page 59 under estimated cost of
16 option DR-5, and the operating maintenance costs are
17 [REDACTED] for a difference of about \$22 million.

18 Q. Given a approximately a \$22 million
19 difference in operating and maintenance costs, would
20 that affect the operating costs for the proposed
21 facility?

22 A. Certainly.

23 Q. And is that significant?

24 A. Yes.

25 Q. Do you recall Mr. Parkyn's testimony last

1 week that he heard from Holtec that the current rate of
2 manufacturing Holtec canisters is approximately 30
3 units per year?

4 A. Yes.

5 Q. Would Holtec's current manufacturing rate of
6 30 units per year affect your evaluation of O&M costs?

7 A. The O&M costs, you have the cask and
8 canister-related O&M costs, and then you have fixed O&M
9 cost on an annual basis and then some variable. So if
10 we cannot -- if Holtec is incapable with existing
11 facilities, existing Holtec manufacturing facilities of
12 producing more than 30 cask-canister combinations a
13 year, then that means that PFS is not going to be able
14 to get more, even if it absorbed the entire output,
15 more than 30 units per year into PFS assuming that
16 rate.

17 Q. And would that affect when costs are actually
18 incurred?

19 A. That will affect when costs are incurred,
20 because if you -- one, you will have -- to the extent
21 that the facility, PFS facility is open, you will be
22 running up operating costs, just basic operating costs
23 of the 42 employees and the electric and basic
24 operating costs. You'll be running those up, but you
25 won't be able to get much in, because there is a

1 bottleneck in the production of casks and canisters
2 under the existing production schedule for Holtec.

3 Q. Thank you. I'd like to talk about
4 transportation costs.

5 MR. TURK: Can we go off the record for one
6 moment?

7 JUDGE BOLLWERK: All right.

8 (Discussion off the record.)

9 Q. (BY MS. NAKAHARA) Dr. Sheehan, do you recall
10 Dr. Parkyn's testimony last week that transportation
11 costs are based on a [REDACTED] cent per kilogram per
12 uranium allowance?

13 A. It was seven and a half dollar allowance, as
14 I recollect, within the [REDACTED] per kilogram rate.

15 Q. Do you recall that the [REDACTED] allowance was
16 based on transportation costs to Mr. Parkyn's LaCrosse,
17 Wisconsin reactor?

18 A. I think he said LaCrosse, Wisconsin. Whether
19 it was a reactor or home or somewhere. I think he just
20 said --

21 Q. To your knowledge, has PFS estimated
22 transportation costs from any other reactor?

23 A. I think he said that they had not. Whether
24 they had done some individual, the cost of some
25 individual other reactors, my sense was that he said

1 that they had not done it generally, in any event.

2 Q. Have you seen any transportation cost
3 estimates from any other reactor?

4 A. I have not.

5 Q. Why is it important to estimate actual
6 transportation costs from other reactors?

7 A. Well, I think that when we come up to satisfy
8 the license condition here, it would be nice -- the
9 staff is going to have a hard time determining whether
10 or not there are enough resources to cover the costs if
11 the costs have never been articulated so that the total
12 transportation cost to all these different possible
13 customer reactors might be substantial, and we need to
14 have a number for the staff to look at.

15 I think it's unreasonable for the staff to
16 have to go and do all that research, and I suspect they
17 might not. So it's important to have that number
18 calculated. And when you come in with say 10,000 MTU
19 versus -- 10,000 MTU worth of service agreements, those
20 will specify what reactor, as I understand it, that
21 fuel is coming from; and the staff should be able to
22 look at the chart and say, well, that totes up to be X
23 dollars transportation so they can include that in
24 their calculation of whether the license condition's
25 been met.

1 Q. Without knowing actual transportation costs
2 from actual customers, can you determine the accuracy
3 of the O&M cost estimate in the prefiled testimony?

4 A. I can't, certainly not with respect to that
5 component noted.

6 Q. Thank you. Next I'd like to talk about host
7 benefits. Are you familiar with Mr. Parkyn's prefiled
8 testimony? Do you have a copy of it?

9 A. I don't have it.

10 Q. Would you like a copy?

11 A. Sure.

12 Q. Let the record reflect that I've just given
13 Dr. Sheehan a copy of Mr. Parkyn and Mr. Kapitz'
14 prefiled testimony dated --

15 Can you read the date?

16 A. May 15, 2000. This is the Parkyn-Kapitz
17 testimony on O&M.

18 Q. If you'll look at Mr. Parkyn's response to
19 question 92.

20 A. Question 92, you said? I think you have
21 given me something that doesn't have numbers.

22 MS. NAKAHARA: I apologize, Your Honor.

23 THE WITNESS: There it is. All right.

24 Q. (BY MS. NAKAHARA) Strike the last question.

25 If you'll look at a reference, Mr. Parkyn's response to

1 question 93, is it correct that Mr. Parkyn estimates
2 the total payment to the Skull Valley Band and Tooele
3 County will amount to [REDACTED]
4 [REDACTED] over the operation period for the Private
5 Fuel Storage facility?

6 A. This is the answer that begins "the estimate
7 for host payments"?

8 Q. Yes.

9 A. Okay. My numbering, I think I have the old
10 numbering. But the answer to your question is, yes, I
11 have that in front of me.

12 Q. And do you recall Mr. Parkyn testified last
13 week that the host benefit payments to Tooele County
14 were based on Private Fuel Storage's May 23rd, 2000
15 agreement with Tooele County?

16 A. Yes, I do.

17 MS. NAKAHARA: I'd like to mark this State
18 Exhibit -- I'm not sure what number.

19 JUDGE BOLLWERK: 35.

20 MS. NAKAHARA: And I apologize for the fax
21 sheet -- or the cover sheet, which is a fax. It's
22 where the State received the document from.

23 Q. (BY MS. NAKAHARA) If you'll turn to the
24 second page. Is this document, State Exhibit 35, an
25 agreement between Tooele County and Private Fuel

1 Storage dated May 23, 2000?

2 A. Yes, it is.

3 Q. Are you familiar with this document?

4 A. Yes, I am.

5 Q. Does this document describe the payments that
6 Private Fuel Storage is to pay to Tooele County?

7 A. I think that's over on the page labeled Page
8 3 and up in Paragraphs A and B.

9 Q. And what are the per canister payment rates
10 to be paid to Tooele County?

11 A. Well, it's differentiated. For -- there's a
12 \$2,600 per canister fee to be paid, and that is for
13 spent nuclear fuel owned by eligible members of PFS as
14 defined by -- that's in the one, two, three, four --
15 fourth and fifth lines down in paragraph little a on
16 page 3. However, if we drop down another two lines, we
17 see that the agreement says that it's three thousand.
18 This is little i, little i, \$3,250, 3250, multiplied by
19 number of canisters containing spent nuclear fuel owned
20 by persons or entities which are not members, eligible
21 members storing fuel at PFS.

22 So the schedule for how much is to be paid is
23 differentiated based on whether or not the utility
24 owning the fuel is a member of PFS or not a member of
25 PFS, and the difference in rates is \$3,250 per canister

1 versus \$2,600 per canister.

2 Q. And Dr. Sheehan, is there a time limit in
3 which an eligible member of PFS must become a member?

4 A. Well, I don't know that.

5 Q. Would you look at the bottom of paragraph
6 that you were just -- last sentence in paragraph a?

7 A. "For purposes" -- I see what you mean.
8 You're saying -- you meant the eligible member on the
9 incoming side as opposed to the outgoing -- okay. It
10 says in the last sentence, "For purposes of this
11 section, eligible members shall mean any person or
12 entity which has become or becomes a member of PFS on
13 or before January 1, 2001."

14 MS. NAKAHARA: Thank you. I'd like to move
15 that State Exhibit 35 be entered into the record as an
16 exhibit.

17 JUDGE BOLLWERK: Let the record reflect that
18 the document identified with a cover sheet for Tooele
19 County Clerk's office a fax cover sheet and containing
20 Tooele County -- or attached to it Tooele County
21 Corporation Contract No. 00-05-15 has been marked for
22 identification as State Exhibit 35.

23 [State's Exhibit 35 was marked
24 for identification.]

25 All right, any -- the motion has been made

1 the document be entered. Any objection?

2 MR. SILBERG: No objection.

3 JUDGE BOLLWERK: No objection from staff?

4 All right, then.

5 MS. MARCO: No objection.

6 JUDGE BOLLWERK: No objection, then State
7 Exhibit 35 will be entered into evidence.

8 [State's Exhibit 35 was received
9 into the record.]

10 Q. (BY MS. NAKAHARA) Dr. Sheehan, based on the
11 information you've reviewed thus far, is it reasonable
12 to assume that only PFS members as of January 1, 2001
13 would store 40,000-MTU's of spent fuel at the facility?

14 MR. SILBERG: Objection. No foundation for
15 the question. The question assumes that only eligible
16 members will store 40,000 metric tons at the facility?

17 Q. (BY MS. NAKAHARA) The payment fees to be
18 paid to Tooele County which Private Fuel Storage has a
19 knowledge as operating costs in their testimony,
20 payments to host benefits, depend upon the rate that is
21 charged for PFS members versus non-PFS members, and so
22 I'd like to address whether it's possible for only PFS
23 members to store the entire 40,000-MTU's at the
24 facility.

25 MR. SILBERG: I don't understand that

1 question --

2 MS. NAKAHARA: I can --

3 MR. SILBERG: -- or how it relates to
4 anything.

5 JUDGE BOLLWERK: I guess, if I understand
6 Mr. Silberg's point, there's a predicate question here
7 which -- and you assume that the seven or eight members
8 of Private Fuel Storage have the entire 40,000 metric
9 tons to be stored. Is that right?

10 MS. NAKAHARA: No, that's my question, does
11 Dr. Sheehan believe it's reasonable to think.

12 MR. TURK: Who thinks it's reasonable?

13 MR. SILBERG: Dr. Sheehan.

14 JUDGE BOLLWERK: I mean, if you want to ask
15 him if he can assume that, I suppose he can. I mean, I
16 don't know what his expertise is. Does he know how
17 many metric tons of fuel the combined membership of PFS
18 members have had?

19 Q. (BY MS. NAKAHARA) Let me step back one step.
20 Dr. Sheehan, if you'll refer to Mr. Parkyn and
21 Mr. Kapitz' testimony, prefiled testimony on O&M cost
22 estimates, does the host benefit payment referenced in
23 the response to question 93 in the amount of
24 [REDACTED] include payments to Tooele County for PFS
25 members only, at the PFS member rate only?

1 A. It does not. I'm sorry. Wait a minute. The
2 ██████████ represented in the testimony is at the rate
3 of \$2,650 as presented on page 3 of the Tooele County
4 agreement, \$2,600.

5 Q. Now Dr. Sheehan, is it reasonable to assume
6 that only PFS members as of January 1, 2001 would store
7 40,000 metric tons of uranium at the PFS facility?

8 A. My understanding from the testimony
9 heretofore is that there's only going to be a little
10 over ██████████ MTU from members, and I believe that that's
11 PFS's estimate of how many MTU's are going to be put
12 here by members.

13 Q. I'd like to mark this State Exhibit 36.
14 State Exhibit 36 is a PFS response to safety requests
15 for additional information No. 2, License Application
16 1-2, page 1 of 1. Is that correct?

17 A. Yes.

18 MR. SILBERG: Would you tell us the date on
19 which that was submitted, please?

20 MS. NAKAHARA: I don't have the date, but my
21 recollection -- I apologize for not having a date -- is
22 February of '99.

23 JUDGE BOLLWERK: Can I just check one thing?
24 We had two exhibits come in recently. Do you have
25 enough copies of those?

1 THE REPORTER: Yes.

2 JUDGE BOLLWERK: Is that adequate for your
3 purposes, Mr. Silberg?

4 MR. SILBERG: Right.

5 Q. (BY MS. NAKAHARA) What is the estimated
6 member usage indicated by Private Fuel Storage in this
7 response to a request for additional information?

8 A. Says the forecast total use for the eight
9 members is [REDACTED] MTU.

10 Q. Did you calculate the costs for nonmembers --
11 strike that. Did you calculate -- did you calculate
12 the payments to Tooele County based on nonmembers in
13 excess of the [REDACTED] MTU storage amount?

14 A. I did.

15 Q. If I can have you look at State Exhibit 33.

16 MR. SILBERG: Can you describe what that is?

17 MS. NAKAHARA: State Exhibit 33 is a 1998
18 business plan through-put rate for the 40,000-MTU
19 facility over a 40-year period.

20 Q. (BY MS. NAKAHARA) Are your calculations of
21 payments for members and nonmembers based on the [REDACTED]
22 MTU member rate identified by PFS --

23 A. Yes.

24 Q. -- payments to Tooele County based on the
25 through-put rate?

1 A. Yes, they were.

2 MS. NAKAHARA: Have this document marked
3 State Exhibit 37.

4 JUDGE BOLLWERK: All right, we need -- 37,
5 okay. Before we get farther, let's let the record
6 reflect that a document identified as a February 1999
7 PFSF Safety RAI No. 2, LA 1-2, page 1 of 1 has been
8 marked for identification as State Exhibit 36.

9 [State's Exhibit 36 was marked
10 for identification.]

11 Am I right about that?

12 MS. NAKAHARA: Yes.

13 MR. SILBERG: 37.

14 JUDGE BOLLWERK: No, the RAI.

15 MR. SILBERG: Oh, I'm sorry.

16 MS. NAKAHARA: Thank you, your Honor. I'd
17 like to move that State Exhibit 36 be entered into the
18 record as evidence.

19 JUDGE BOLLWERK: All right, the motion's been
20 made that State Exhibit 36 be received into evidence.
21 No objection?

22 MS. MARCO: No objection.

23 MR. SILBERG: No.

24 JUDGE BOLLWERK: No objection, then State
25 Exhibit 36 is received into evidence.

1 [State's Exhibit 36 was received
2 into the record.]

3 Q. (BY MS. NAKAHARA) Dr. Sheehan, is State
4 Exhibit 37 a spreadsheet showing your calculations of
5 Tooele County payments and Skull Valley Band payments
6 per year based on the State Exhibit 33's through-put
7 rate for members and nonmembers of Private Fuel
8 Storage?

9 A. This is a schedule dealing with payments by
10 PFS to Tooele County and the Skull Valley Band over
11 that same amount of time period, yes. I notice the
12 second column on the left is for casks and not MTU.
13 Multiply that by ten if you want an MTU.

14 Q. And what assumptions did you make in
15 preparing this calculation?

16 A. Assumptions are set forth down at the bottom
17 of the table. I assume that the first [REDACTED] casks
18 corresponding to [REDACTED] MTU in and the last [REDACTED]
19 MTU's out are charged the lower member rate of \$2,650
20 per cask per year. Now, that's the same as we've noted
21 in the business plan. And we've got 200 casks coming
22 in each of the first years zero through 19, then 200
23 casks shipped out in years 21 through 40. Annual
24 capacity never drops below [REDACTED] MTU's. That's one of
25 the criteria in the Tooele County agreement.

1 And annual cost of the base fee is [REDACTED]
2 per year as also noted in the -- on line -- if you look
3 in paragraph B on page 3 of the Tooele County
4 agreement, you'll see there's a half a million dollar
5 annual fee.

6 And then you have the canister, the next
7 assumption -- so the next assumption is it's not
8 realistic to assume [REDACTED] MTU for members first in --
9 first into Yucca, I guess. The DOE 1995 estimate is
10 that 5,851. Anyway, basically this assumes the rates
11 that have been set off in the Tooele County agreement,
12 and also the first [REDACTED] MTU in are going to be
13 members and the first [REDACTED] out are going to be
14 members.

15 Q. Is it the last [REDACTED] MTU's out are members?
16 Is that correct?

17 A. Yes.

18 Q. Is that a conservative assumption?

19 A. Yes.

20 Q. Based on your calculations, what is the total
21 payment to Tooele County over the 41-year through-put
22 rate?

23 A. That's given in the third column from the
24 right, and that's the [REDACTED].

25 Q. And what is the combined total rate or

1 payment to Tooele County and the Skull Valley Band?

2 A. All right. The combined rate you see, take
3 the [REDACTED] and add that to the [REDACTED] for
4 payments for the Goshutes, and the total is
5 [REDACTED].

6 Q. And how did that compare to the host benefit
7 payments in Mr. Parkyn and Mr. Kapitz' prefiled
8 testimony?

9 MR. SILBERG: Mr. Chairman, I'm going to
10 object. I think what we have here is a piece of
11 written rebuttal that was prepared at the last minute.
12 It's given to us with no warning. The board's order,
13 which I'm going to get, set a process for submitting
14 written rebuttal. The State did not adhere to that
15 process. I think it's grossly unfair for the State at
16 5:20 and presumably the last day of the hearing to come
17 in with an exhibit that no one has seen before and to
18 put this in as evidence. I'm going to object to this
19 entire presentation and move that it be stricken.

20 MS. NAKAHARA: Your Honor, my recollection of
21 your order was that we had the option of written
22 rebuttal.

23 MR. SILBERG: And you just submitted it. And
24 I think it's totally unfair at the last minute without
25 giving us any notice. You obviously had this prepared

1 before. You have had the agreement since -- I think
2 the fax is May 23, and to drop this on our lap at the
3 last minute I think is totally unfair.

4 MS. NAKAHARA: And I apologize for the delay
5 in giving you a copy of the document, but we did not
6 determine what we were going to do in rebuttal until
7 immediately -- until after we saw what everyone else
8 had testified to.

9 JUDGE BOLLWERK: How much time do you think
10 you need to review this?

11 MR. SILBERG: I don't know. It may not make
12 much difference. If I understand it, it looks like
13 it's a total increment of about [REDACTED] over 40
14 years in a [REDACTED] project, but I'm not sure I fully
15 understand these numbers. If they're attempting to
16 compare the [REDACTED] in Mr. Parkyn's answer 93 with
17 the [REDACTED] total the end of this exhibit, it may
18 not add up to a hill of beans, frankly. But I don't
19 like to put in pieces of written documentation that no
20 one has seen before.

21 MS. MARCO: Your Honor, for the benefit of
22 the board, the order of June 12th states in the last
23 paragraph, "Finally, any party that wishes to provide
24 written rebuttal testimony, either in whole or in part,
25 should advise the board at the close of all cross and

1 redirect examination relative to the individual/witness
2 panel to which the rebuttal testimony applies so that a
3 prefiling schedule can be established."

4 MS. CHANCELLOR: If I may, Your Honor. This
5 was the subject of a conference call to yourself
6 because the parties didn't understand what written
7 rebuttal meant.

8 JUDGE BOLLWERK: Right.

9 MS. CHANCELLOR: And my understanding was
10 that it was -- if this is something that is useful to
11 expedite the process, then fine, but it wasn't any
12 mandate or requirement that we had to do that.

13 JUDGE BOLLWERK: And the idea behind the
14 order was that if there was -- if I used the word
15 "written rebuttal," I was not talking about exhibits,
16 necessarily, I was talking about testimony, although I
17 suppose this is a form of testimony, a chart that this
18 gentleman can read into the record.

19 First of all, in any event, we need to mark
20 it for identification. Whether we receive it or not is
21 up for question. So let's take care of that.

22 Could you describe the document briefly for
23 the record, please?

24 MS. NAKAHARA: Yes. I believe this is State
25 Exhibit 37. It's a spreadsheet describing the payments

1 to -- annual payments to Tooele County and the Skull
2 Valley Band for members and nonmembers which assumes
3 the first [REDACTED] MTU's received into the facility and
4 the last [REDACTED] MTU's outbound from the facility are
5 charged the lower member rate of \$2,650.

6 JUDGE BOLLWERK: All right, let the record
7 reflect that the document described by counsel has been
8 marked for identification as State Exhibit 37.

9 [State's Exhibit 37 was marked
10 for identification.]

11 MS. NAKAHARA: And we're merely trying to
12 establish that PFS did not account for the nonmember
13 rate under the Tooele County agreement and that Private
14 Fuel Storage based on their own document does not have
15 the capacity to assume -- or its own members do not
16 have the capacity at the time of the response to the
17 RAI for a 40,000 metric ton of uranium member only
18 facility.

19 MR. SILBERG: I would note that the RAI -- I
20 think you gave a date of sometime a year ago or more.

21 MS. NAKAHARA: Yes.

22 MR. SILBERG: And there's no prohibition
23 against other people becoming members.

24 MS. NAKAHARA: I acknowledge that.

25 MR. SILBERG: I would note that at the time

1 that answer was provided that the membership is not the
2 same as it is today, and that the current members have
3 three more reactors than did the members who were
4 members at that time. So I think a lot of your premise
5 is incorrect. But until I sit down with Mr. Parkyn and
6 others, you know, I simply don't know whether this is
7 worth anything or not. We can do that, but we may be
8 here for a little while longer. If you'd given this to
9 us yesterday or this morning or last week when you had
10 it, whenever it was prepared, you might have avoided
11 this. But I think dropping it on us at the last minute
12 I think is just unfair, also I think inconsistent to
13 the question.

14 JUDGE BOLLWERK: Do you have any additional
15 rebuttal questions for Dr. Sheehan?

16 MS. NAKAHARA: No.

17 JUDGE BOLLWERK: All right, let's take a
18 recess.

19 (Brief Recess.)

20 JUDGE BOLLWERK: I guess the Board's feeling
21 is that while this may not violate the spirit of what I
22 had -- might not violate the letter of the order that I
23 issued, it's not necessarily totally within the spirit
24 of it. My concern when I issued that order was
25 obviously if there was some kind of significant

1 rebuttal testimony that could be written out and
2 prefiled, it would be done, and the parties have notice
3 of it. This is not that. It is not a narrative
4 statement, it isn't obviously a major exhibit. I guess
5 our feeling is twofold or two ways to approach this.
6 We're going to leave it up to the applicant as to what
7 they want to do. You can either look at this this
8 evening and decide to respond to it tonight, or we'll
9 come back in the morning. What's your preference?

10 MR. SILBERG: If you could give us perhaps an
11 hour. We're looking at some stuff. It may be less
12 than that.

13 JUDGE BOLLWERK: All right. Is that all
14 right with the court reporter?

15 MR. SILBERG: I don't want to go over till
16 tomorrow. Neither does my client or my co-counsel.

17 JUDGE BOLLWERK: I can understand that. But
18 I think that's what we need to do at this point. Any
19 other statements from the State?

20 MS. NAKAHARA: No.

21 JUDGE BOLLWERK: All right. Again, I think
22 it probably would have been better if -- I fact, I know
23 it would have been better if you had circulated this to
24 them or given it to them even if you didn't use it, but
25 we will now deal with it.

1 MR. SILBERG: The witness also indicated off
2 the record that two of the lines of text on this
3 exhibit don't belong there. You might want to --

4 JUDGE BOLLWERK: Do you need to clarify
5 something about the exhibit itself?

6 MS. NAKAHARA: Yes.

7 JUDGE BOLLWERK: Okay, why don't we do that
8 right now, then.

9 Q. (BY MS. NAKAHARA) Dr. Sheehan, can you
10 clarify the assumptions listed at the bottom of State
11 Exhibit 37, whether the last two lines are relevant,
12 are still relevant to your calculations?

13 A. Yes. The last two lines under the
14 assumptions related to something else I thought of
15 doing, and I wound up not doing it. So the last two
16 lines I thought had been erased, but they have not. So
17 the bottom two lines can be discarded.

18 I might also add that we have a typo in the
19 first line under assumptions where it says the lower
20 member rate of \$2,650 per cask per unit. That should
21 be \$2,600 to reflect what's in the Tooele County
22 agreement. The actual, the \$2,600 number has been
23 ramified through the actual calculations, however.

24 MS. NAKAHARA: Thank you.

25 MR. TURK: So we are to strike the bottom two

1 lines of the assumptions?

2 DR. SHEEHAN: Yes, Mr. Turk.

3 JUDGE BOLLWERK: And change the number in the
4 first line to \$2,600 rather than \$2,650?

5 DR. SHEEHAN: Yes, sir.

6 JUDGE BOLLWERK: Two thousand six hundred
7 dollars is correct?

8 DR. SHEEHAN: Yes.

9 JUDGE BOLLWERK: Can you see that those
10 changes are made on the exhibit you gave the reporter?

11 All right, I think there is pending a motion
12 to admit this exhibit. Is that correct?

13 MS. NAKAHARA: Yes.

14 JUDGE BOLLWERK: And I've heard the
15 objections. We're going to go ahead and admit it as an
16 exhibit, State Exhibit 37, and receive it into
17 evidence.

18 [State's Exhibit 37 was
19 received into the record.]

20 And you said you had no further questions for
21 this witness in terms of rebuttal?

22 MS. NAKAHARA: That's correct.

23 JUDGE BOLLWERK: Do you wish to deal with
24 this witness on redirect, or do you wish to call a
25 surrebuttal witness?

1 MR. SILBERG: I have two questions unrelated
2 to this table which I would like to get off and
3 finished with.

4 JUDGE BOLLWERK: All right.

5 MR. SILBERG: And then I'd like to reserve
6 the ability to ask questions about this or call a
7 rebuttal witness.

8 JUDGE BOLLWERK: All right. Do you have any
9 objection to that?

10 MS. NAKAHARA: No.

11 SURREBUTTAL EXAMINATION

12 BY MR. SILBERG:

13 Q. Two questions, Dr. Sheehan. You said that
14 the Holtec manufacturing rate of 30 casks per year
15 could be a bottleneck?

16 A. The Holtec at 30 could be a bottleneck in
17 terms of being able to meet PFS's estimated through-put
18 if something weren't done.

19 Q. Why do you assume that something wouldn't be
20 done?

21 A. I'm not assuming that something wouldn't be
22 done. I am only saying that we don't have an agreement
23 with Holtec to do anything, though Mr. Parkyn has
24 talked about -- I believe it was Mr. Parkyn -- has
25 talked a little bit about the possibility of Holtec

1 gearing up into a larger manufacturing facility. But
2 we don't have anything firm about that. And all I'm
3 saying is that if that gearing up is not done in a
4 fashion such that would allow 200 casks per year to be
5 available soon --

6 Shall I go on?

7 Q. No, if you've finished your answer --

8 A. Oh, sorry. I was waiting for you. If there
9 was -- if Holtec intended to increase its manufacturing
10 capability, that would have an impact on this. But if
11 it doesn't and if the new manufacturing facility
12 doesn't come on line and have production ready for
13 Mr. Parkyn's schedule of opening this facility in
14 November of 2003, there could be a bottleneck with
15 respect to the casks.

16 Q. So you're not aware of anything that would
17 impede Holtec from increasing its manufacturing rate?

18 A. I'm not aware that there's anything that
19 would impede them from doing that, but the testimony I
20 think I heard was that they would --

21 MR. SILBERG: Thank you. No further
22 questions.

23 A. -- need a certain amount of time to do that,
24 and the schedule looked like it might be a bottleneck
25 even if Holtec did expand along the lines Mr. Parkyn

1 suggests.

2 Q. (BY MR. SILBERG) I assume you understand
3 enough -- a lot more mathematics than I do, but if you
4 add the same amount of anything to either side of an
5 equation, the equation comes out the same way as it did
6 before?

7 A. It's a sophisticated idea in physics, but I
8 think you're right.

9 Q. So if you were to add in the dollars needed
10 for transportation, whatever they might be, with a
11 commitment by the customer to pay those dollars,
12 whatever they might be, that would leave the equation
13 in the same equipoise as it was in before, wouldn't it?

14 A. That's true. But it would not mean that
15 there were any fewer costs just because you had that
16 agreement.

17 MR. SILBERG: That's all I have.

18 MS. MARCO: I have something.

19 SURREBUTTAL EXAMINATION

20 BY MS. MARCO:

21 Q. Isn't it true that [REDACTED] is not
22 significant when looking at a multi billion, [REDACTED]
23 [REDACTED] operating maintenance cost estimate?

24 A. I wouldn't say that at all. How much money
25 do you have to cut when you cut a corner to make a

1 safety impact?

2 Q. What percentage of [REDACTED]

3 [REDACTED] Do you know?

4 A. I'd have to go get my calculator out, but
5 we're talking about not what percentage it is. Corners
6 are cut with actual dollars, not with percentages.

7 Q. You mentioned that the second 20 years of a
8 40-year period would involve an increase in operating
9 and maintenance costs that's over the first 20-year
10 period.

11 A. I thought it was likely, given that the
12 capital items are more likely to wear out in the second
13 term, being old.

14 Q. Would the second term come after license
15 renewal?

16 A. The second term, if there were a license
17 renewal, would indeed come after license renewal.

18 Q. To your knowledge does an applicant -- would
19 PFS have to apply, make an application for license
20 renewal?

21 A. Certainly.

22 Q. And does all of Part 72, to your knowledge,
23 apply to that license renewal application?

24 A. Well, as far as I know, I haven't gone --
25 I've read the whole thing, but -- I haven't read the

1 whole thing to see if there was anything that might
2 not, but I can't imagine it wouldn't.

3 Q. To your knowledge, would 72-22 E apply?

4 MS. NAKAHARA: Objection. Calls for a legal
5 conclusion.

6 THE REPORTER: I didn't hear the answer.

7 DR. SHEEHAN: I said I assume so.

8 MS. MARCO: That's all. Is the objection
9 still up?

10 JUDGE BOLLWERK: No, I think the question was
11 answered. We'll take into account that this gentleman
12 is not here to interpret the regulations as a lawyer
13 necessarily.

14 MS. MARCO: I'm just looking for his
15 understanding.

16 JUDGE BOLLWERK: And that's what he gave you.

17 MS. MARCO: Okay.

18 Q. (BY MS. MARCO) You mentioned that if the
19 bids are to come in soon that it be more prudent to
20 wait for those than to go ahead now. Is that correct?
21 Am I understanding your testimony?

22 A. Well, I don't think it's a question of now.
23 The question is, when PFS comes in to meet the first
24 license condition, should you go with an estimate.
25 When they come in to meet the first license conditions,

1 should you work with an estimate when at the time they
2 come in they're probably going to be considerably
3 closer to the time when they have the actual bids. So
4 why would you not use the bids? If they're going to
5 come in soon and they're so much better in terms of
6 reliability, why not use the bids?

7 Q. Isn't true that in answer 80 to your
8 testimony you said that the second way to employ proper
9 escalators is with accurate and complete cost estimates
10 to bridge over a short period to update the estimates
11 rather than requiring all costs to be continually
12 empirically re-estimated?

13 A. I said yes, and that's exactly what I said in
14 that context note is, instead of requiring the cost to
15 be continually empirically re-estimated, for a short
16 period you might use an escalator. But here we're not
17 talking about that. We're talking about the
18 possibility of finding out what the construction costs
19 actually are going to be, the actual construction costs
20 are going to be available. This is not that situation
21 at all. This is not a situation of having continually
22 to re-estimate. We're going to have the actual
23 construction costs when the bids come in.

24 Q. I was looking at the term -- the phrase "over
25 a short period."

1 A. I understand. But looking at the context,
2 you'll see what that phrase is dealing with.

3 Q. In question 82, isn't it true that you said,
4 assuming PFS finally derives an accurate and complete
5 operating estimate based on currently applicable data,
6 then appropriate escalators can be applied over limited
7 periods of time? And I believe that the last sentence
8 in that same paragraph says, "Thus, PFS's approach to
9 escalators will not derive accurate estimating costs at
10 the time it demonstrates compliance with License
11 Condition 1-7." Isn't that true?

12 A. Well, I'd have to go -- let me get the
13 testimony and let me look at the context. What's the
14 question number?

15 Q. 82, last paragraph of the answer.

16 A. The last line of that says, "Thus, PFS's
17 approach to escalators will not derive accurate
18 estimated operating costs at the time it demonstrates
19 compliance with LC 17-1." Is that what you were
20 referring to?

21 Q. Yes.

22 A. They would not derive accurate estimated
23 operating costs. We're talking about construction
24 costs here, and this is -- this is just talking about
25 at the time we're doing LC-1. I'm saying that the

1 escalators won't give you a good estimate of operating
2 costs. I thought we were talking about construction
3 costs.

4 MS. MARCO: We don't have any further
5 questions.

6 JUDGE BOLLWERK: All right. Do you have any
7 redirect based on what the questions Mr. Silberg or
8 Ms. Marco asked?

9 MS. NAKAHARA: No, Your Honor.

10 JUDGE BOLLWERK: All right. At this point I
11 guess we will take a recess and wait --

12 MR. SILBERG: If we could go off the record
13 just for a minute to consult.

14 JUDGE BOLLWERK: All right.

15 (Off the record briefly.)

16 JUDGE BOLLWERK: At this point we're going
17 to take about a 15-minute break while counsel for PFS
18 prepares for redirect -- no.

19 MR. SILBERG: Surrebuttal.

20 JUDGE BOLLWERK: Surrebuttal. Any event,
21 we're off the record for 15 minutes.

22 (Brief Recess.)

23 JUDGE BOLLWERK: I think there's enough
24 people in the room we can go on the honor system here.
25 I'm looking around; I don't see anybody that I don't

1 recognize.

2 MR. SILBERG: Same old faces.

3 JUDGE BOLLWERK: Anybody else have a problem
4 with anybody in the room?

5 MR. SILBERG: Well, that's a different
6 question.

7 MS. CHANCELLOR: That's a different question.

8 JUDGE BOLLWERK: Problem relating to the type
9 of information we're looking at. Okay. All right, I
10 don't see anybody that doesn't belong here.

11 All right, I think we're going to do first
12 some cross on the redirect, or on the rebuttal, and
13 then some surrebuttal.

14 MR. SILBERG: Right.

15 SUR-SURREBUTTAL EXAMINATION

16 BY MR. SILBERG:

17 Q. First, Dr. Sheehan, when you calculated the
18 number of members and their demand, you used the number
19 from the February 10, 1999 RAI?

20 A. I did.

21 Q. And you're correct that the eight members
22 identified there are no longer the same eight members
23 that PFS now has?

24 A. I think we spoke of that earlier in a
25 different setting, but yes, that's correct.

1 Q. And you're aware that with the change in
2 members, substituting Florida Power and Light for
3 Illinois Power, that brought an additional three
4 nuclear power reactors into the members reactor
5 category?

6 A. I have not checked on the number of reactors
7 Florida Power and Light has. And as you know from our
8 last conversation on this subject, it's a little
9 unclear to me whether the eight is a solid number
10 balancing off Clinton, TMI, and Oyster Creek, how
11 that's going to work out. But in response to your
12 question, I'll take your representation.

13 Q. No, I actually have four, but it's a debt
14 free. Turkey Point 3-4 and St. Lucie 1-2.

15 A. Okay.

16 Q. Do you have any idea how many additional
17 members PFS might have by January 1 of 2001?

18 A. I'm not aware of any evidence that they're
19 going to have any.

20 Q. Are you aware of any evidence that they
21 won't? Are you just not aware of any evidence on this
22 topic?

23 A. I haven't seen any evidence that they're
24 going to have more, and I think that there is some
25 evidence that they're likely to have fewer.

1 Q. Have you made inquiries around the industry
2 to see who might be interested?

3 A. I have not, but I have followed the news
4 reports with respect to TMI and Oyster Creek.

5 Q. Now, you based your members forecast on this
6 February 10, 1999 RAI?

7 A. Yes.

8 Q. Were you aware that the preceding page said
9 that nonmembers will be charged [REDACTED]
10 [REDACTED] per KGU?

11 A. I believe I know that in general.

12 Q. But you didn't think it was important to
13 mention that in your calculus?

14 A. I'm not aware in a nonmembers are going to be
15 charged [REDACTED] -- that PFS is going to pay Tooele
16 County 25 percent more.

17 Q. I didn't ask that question. I asked, were
18 you aware that nonmembers would be charged
19 approximately [REDACTED] per
20 KGU?

21 A. Charged by PFS?

22 Q. Yes.

23 A. Yes, I'm aware of that.

24 Q. And that's in the RAI from the preceding page
25 to the one you referred to, PFS Safety RAI No. 2, LA

1 1-1?

2 A. Yes.

3 JUDGE BOLLWERK: Have this marked?

4 MR. SILBERG: Yes, please.

5 JUDGE BOLLWERK: Let the record reflect that
6 the document identified by counsel as PFS Safety RAI
7 No. 2, LA 1-1 has been marked for identification as PFS
8 Exhibit M.

9 [Applicant's Exhibit M was
10 marked for identification.]

11 MR. SILBERG: And I'd ask that it be admitted
12 into evidence.

13 JUDGE BOLLWERK: Any objection?

14 MS. MARCO: No objection.

15 JUDGE BOLLWERK: No objection from the
16 State?

17 MS. NAKAHARA: No.

18 JUDGE BOLLWERK: Then the record should
19 reflect that PFS Exhibit M has been received into
20 evidence.

21 [Applicant's Exhibit M was
22 received into the record.]

23 Q. (BY MR. SILBERG) Dr. Sheehan, you indicated
24 that you had a calculator?

25 A. I do. I have it right here.

1 Q. Great. If about [REDACTED] metric tons, in your
2 estimate, were member fuel, that would mean that [REDACTED]
3 metric tons would be the nonmember fuel?

4 A. Well, that's on a 40,000-ton basis, yes.

5 Q. Can you calculate what the percent would be,
6 [REDACTED] as a percent of [REDACTED]?

7 [REDACTED]

8 Q. And recalling the Exhibit M which we just
9 marked, if you multiply the [REDACTED] by [REDACTED],
10 what would that give you?

11 A. When you say the [REDACTED], you mean the

12 [REDACTED]

13 Q. I'm sorry, [REDACTED] for the fee
14 increase. What does that give you?

15 [REDACTED]

16 Q. Okay. And now if you add to that --

17 A. Should I be writing these numbers down?

18 Q. You can do it in your calculator. Save that
19 number.

20 A. Okay, I haven't been saving the numbers. Do
21 I want to save the --

22 [REDACTED]

23 A. [REDACTED]. Okay, I got it.

24 Q. And if you add to that the remainder of the
25 original percent, which would be [REDACTED]

1 [REDACTED], what does that give you as a
2 total percent?

3 A. Well, if you just add those two numbers, you
4 would get [REDACTED]

5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
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- 15 [REDACTED]
- 16 [REDACTED]
- 17 [REDACTED]
- 18 [REDACTED]
- 19 [REDACTED]
- 20 [REDACTED]
- 21 [REDACTED]
- 22 [REDACTED]
- 23 [REDACTED]
- 24 [REDACTED]
- 25 [REDACTED]

1 [REDACTED]

2 A. We are -- my testimony here is calculating
3 whether or not the fees to be paid to Tooele County are
4 appropriately -- appropriately the amount that we have
5 here as adds up in that third column from the right,
6 which is the [REDACTED] These are payments from PFS
7 to Tooele County. This calculation that I'm doing here
8 is with respect to whether or not PFS has made an error
9 in its estimation of the fees paid from PFS to Tooele
10 County. You are having me do calculations with respect
11 to how much PFS customers are going to pay PFS. We're
12 in two different ballparks here.

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

- 1 [REDACTED]
- 2 [REDACTED]
- 3 [REDACTED]
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- 19 [REDACTED]
- 20 [REDACTED]
- 21 [REDACTED]
- 22 [REDACTED]
- 23 [REDACTED]
- 24 [REDACTED]
- 25 [REDACTED]

1 have.

2 JUDGE BOLLWERK: All right. Any redirect?
3 I'm losing track here. Any re-redirect?

4 MS. NAKAHARA: Can we have one minute, Your
5 Honor?

6 JUDGE BOLLWERK: Yes. Re-redirect on the
7 rebuttal. I think that's right. No, just redirect on
8 rebuttal.

9 MS. NAKAHARA: No, Your Honor, we have no
10 questions.

11 JUDGE BOLLWERK: All right. Any further
12 questions from the staff --

13 MS. MARCO: No, Your Honor.

14 JUDGE BOLLWERK: -- on testimony we just
15 heard? All right, any questions from the Board?

16 All right, sir, thank you for your time. You
17 are dismissed at this point subject to being recalled
18 to testify. Thank you, Dr. Sheehan.

19 MR. SILBERG: If I can ask Mr. Parkyn one
20 last time.

21 JUDGE BOLLWERK: On surrebuttal? All right,
22 sir. You have been previously sworn and remain under
23 oath.

24 /

25 /

1 JOHN D. PARKYN
2 was called as a witness on behalf of the Applicant and,
3 having been previously duly sworn, was examined and
4 testified as follows:

5 SURREBUTTAL EXAMINATION

6 BY MR. SILBERG:

7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

23 MR. SILBERG: Okay. That's all the questions
24 I have.

25 JUDGE BOLLWERK: All right. Any cross-

1 examination on surrebuttal? Any from staff?

2 MS. MARCO: No.

3 MS. NAKAHARA: Your Honor, the State has no
4 questions.

5 JUDGE BOLLWERK: No questions. Any questions
6 from the Board members? I learned my lesson.

7 JUDGE LAM: He's a late bloomer.

8 JUDGE BOLLWERK: At this point, Mr. Parkyn,
9 you are dismissed subject to being recalled if
10 necessary at some point. And we thank you for your
11 testimony, sir, and your time.

12 All right. At this point, then, if there's
13 nothing any other counsel have to say, I think we've
14 come to the close of this portion of the hearing.

15 Just to go over the schedule, prefiled
16 findings of fact -- findings of fact and conclusions of
17 law, post findings of fact and conclusions of law are,
18 under the schedule we have now, due July 31st, 2000.
19 Responses are due August 20th, 2000. And then if I'm
20 calculating correctly, there's going to be a joint
21 filing in about two weeks after that. I have September
22 11th would be two weeks. Laying out the parties'
23 agreements or nonagreements in terms of all the
24 proprietary information that's been put into the record
25 of both transcripts and any evidentiary materials in

1 terms of exhibits.

2 MR. SILBERG: Plus transcript corrections.

3 JUDGE BOLLWERK: Plus transcript corrections,
4 that's correct.

5 MS. CHANCELLOR: Your Honor, did you say that
6 the responses are due on the 20th?

7 JUDGE BOLLWERK: 28th. Basically I have not
8 changed the schedule that was issued several months
9 ago, so...

10 At this point are there any other -- I would
11 like to go ahead and close the record with respect to
12 the exhibits within the next week. I don't think there
13 should be any problem with that.

14 MR. SILBERG: Why can't we close the record
15 now?

16 JUDGE BOLLWERK: We can. Does anyone have
17 any reason to review the exhibits that have been
18 admitted for any reason? If there's no objection --
19 the staff want to --

20 MS. MARCO: No objection.

21 JUDGE BOLLWERK: All right. Why don't we
22 just then -- we'll close the record with respect to the
23 exhibit material. Everybody's looked and made sure
24 that everything they want has been received, correct?

25 MS. CHANCELLOR: Have all the State's

1 exhibits that have been identified, have they all been
2 received into evidence, Your Honor?

3 MR. SILBERG: Some of them were only admitted
4 for --

5 JUDGE BOLLWERK: Certain purposes.

6 MS. CHANCELLOR: But as long as everything
7 that was identified has been admitted --

8 JUDGE BOLLWERK: Yes, I have everything. I
9 have everything for the staff; only had two exhibits,
10 correct?

11 MS. MARCO: (Nodding head yes.)

12 JUDGE BOLLWERK: And I have everything for
13 Private Fuel Storage. All right, then we can go ahead
14 and close the record with respect to the evidentiary
15 material at this point, and we will have the transcript
16 corrections two weeks after the reply findings are due.

17 Any other administrative matters anyone needs
18 to bring to the Board's attention?

19 MR. TURK: I have one. Under the board's
20 previous order the staff is required to respond to some
21 discovery on Contention L by July 3rd, this coming
22 Monday. I have discussed that schedule with
23 Ms. Chancellor, and she has most graciously agreed to
24 allow the staff to file its response on July 12th,
25 which I believe is the same date that we'll all be

1 filing responses to the Peterson petition and
2 contentions.

3 JUDGE BOLLWERK: Yes. And I think I provided
4 everyone with the most recent letter I got from
5 Mr. Peterson. I think everyone has that, and I think
6 that just goes into the mix with all his other
7 documentary material.

8 Does the State contemplate any late file
9 contentions with respect to the DEIS at this point? I
10 recognize you haven't had much of a chance to look at
11 it.

12 MS. CHANCELLOR: We've sort of been busy,
13 Your Honor. We haven't really had a chance to look at
14 the DEIS.

15 JUDGE BOLLWERK: All right. Thought I'd ask.

16 MR. TURK: I should note, with regard to the
17 DEIS, I believe the notice has been published and that
18 does specify the date for responses -- I'm sorry -- for
19 comments on the DEIS. I believe it's 90 days, 90 days
20 from the date of publication. It also specifies the
21 dates of the public meetings and locations.

22 JUDGE BOLLWERK: All right.

23 MR. TURK: But I'll let that speak for
24 itself. I don't want to misstate it.

25 JUDGE BOLLWERK: As I mentioned I guess

1 previously, we do contemplate the next opportunity we
2 are here for whatever reason I think trying to get out
3 to Tooele and out to Grantsville to do some limited
4 appearance sessions, but we'll schedule that at the
5 time.

6 All right. Anything else anyone needs to
7 bring to the board's attention at this point?

8 Just on behalf of the board, I know all of
9 you have worked very hard. We appreciate the quality
10 of the information you provided us and the
11 presentations you've made to us. We will now take all
12 this under advisement as well as I guess we'll get the
13 post findings and conclusions, and we have a schedule
14 in which to issue a decision, and we'll try our best to
15 keep to that.

16 If there's -- I guess we'll be hearing
17 from -- shortly about Mr. Peterson and some other
18 things, and we'll wait to get those filings.

19 At this point I guess we stand adjourned.
20 Thank you very much.

21 (Proceedings adjourned at 6:30 p.m.)

22

* * *

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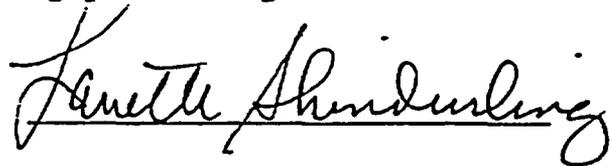
REPORTER'S CERTIFICATE

This is to certify that the attached proceedings before the United States Nuclear Regulatory Commission in the matter of:

NAME OF PROCEEDING: PRIVATE FUEL STORAGE

CASE NO: 72-22-ISFSI

PLACE OF PROCEEDING: . Salt Lake City, Utah
were held as herein appears, and that this is the original transcript thereof for the file of the United States Nuclear Regulatory Commission taken by me and thereafter reduced to typewriting by me or under the direction of the court reporting company, and that the transcript is a true and accurate record of the foregoing proceedings.



Official Reporter

Ann Riley & Associates, Ltd.

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Pursuant to a joint agreement among the parties, Sheets 1 through 13 of the Word Index to the June 27, 2000 Transcript have been redacted in their entirety.