

LICENSE APPLICATION

LA Chapter 1, Section 1-6

~~PROPRIETARY INFORMATION~~
~~WITHHOLD FROM PUBLIC~~
~~DISCLOSURE~~

USNRC

'00 AUG -7 A9:14

1-3 (a) Provide adequate information to explain the basis for the \$100 million estimated cost for facility construction.

- Specify whether this amount is anticipated as being needed for the 15,000 MTU nominal target for the facility or for the 40,000 MTU facility capacity.

(b) Provide an itemized description for each of the major construction tasks in the overall estimate.

RESPONSE

(a) The basis of the \$100 million estimate contained within the license application is as follows.

The PFSF has two design capacity cases which are premised on the projected customer base. The 15,000 Mtu nominal capacity case services the utilities which presently form the PFSLLC. The 40,000 Mtu licensed capacity case represents a larger customer base which includes the PFSLLC members and other utilities interested in utilizing the storage facility as a user, not as an owner.

Both design capacities will utilize a phased construction approach. For the nominal capacity case, the facility is planned to be constructed in two phases. The first phase will provide a storage capacity which equates to approximately one-third the licensed capacity (40,000 Mtu) of the facility. A small amount of additional capacity will be added in later construction period (year 2015) to complete the necessary design capacity for PFSLLC owners.

The licensed capacity case will be implemented as utilities elect to use the PFSF in addition to those utilities presently forming the PFSLLC. The required additional capacity will be constructed in as many as two additional phases until the licensed capacity of 40,000 Mtu is reached. Each of these two additional increments of capacity are equal to approximately one-third the capacity of the facility.

To implement the phased construction approach, certain additional costs will be realized to provide the capability for expansion. This occurs with the reconfiguration of select portions of the infrastructure systems while the facility is in operation. Certain economies can also be realized in the nominal case due to the correlation of the fuel receipt shipping schedule with the opening of the

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2005 AUG -8 PM 2:56

ADJUDICATIONS STAFF

Docket No. 72-22 Official Exp. No. 11
In the matter of Private fuel storage.
Staff _____ IDENTIFIED X
Applicant _____ RECEIVED X
Intervenor State REJECTED _____
Coun's Off'r _____
Contractor _____ DATE 6-22-00
Other _____ Witness Sheehan
Reporter L. Shindwiling

The image shows a document page where the vast majority of the text has been redacted with thick black horizontal bars. The redactions are organized into several distinct horizontal blocks. At the top, there is a long bar spanning the entire width of the page, followed by a shorter bar. Below these, there are several more bars of varying lengths, some of which are indented from the left margin. On the right side of the page, there are several short, vertical bars, suggesting redacted text in a right-hand column or a list. The bottom of the page features a long bar spanning the width, followed by a shorter bar, and a final long bar at the very bottom. The overall layout suggests a structured document, possibly a report or a list, where the content has been completely obscured for security or privacy reasons.

~~PFS-CONFIDENTIAL INFORMATION~~

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LICENSE APPLICATION

LA Chapter 1, Section 1-6

- 1-5 (a) Provide the information used as the basis for determining the estimated average annual operation and maintenance (O&M) cost of the facility.
- It is unclear whether the estimated average annual O&M costs of \$49 million per year (for a 20 year facility life) and of \$31 million per year (for a 40 year life) are based on a full 4,000 cask capacity utilization rate or some other amount.
 - It is also unclear whether these estimates are expressed in 1998 dollars or future dollars.
- (b) Describe how customer fees are to be adjusted as O&M costs vary over time, especially if costs are much greater than now expected.

RESPONSE

- (a) The elements that make up the estimated annual operation and maintenance costs include the following: labor, operations support, storage canisters, storage casks, transportation fees, transport and storage consumables, maintenance and parts, regulatory fees, quality assurance and other expenses, low-level radioactive waste disposal, contingencies, radiological decommissioning funds, non-radiological decommissioning fund, and associated costs of operating a facility. Note that the O&M costs of \$49 million per year for a 20 year facility life and of \$31 million per year for a 40 year life include such high-priced items as the storage system canisters / casks and shipping rates. When these canister fees are extracted, the routine annual O&M costs are approximately \$10 million per year.

The O&M costs noted above are based on a nominal design capacity case of 15,000 Mtu (see the response to RAI LA 1-3). All dollars expressed are in current year dollars at the time of the license application submittal (1997).

- (b) The customers of PFS will be signing Service Agreements which will include escalators that are tied to specific costs of doing business at the site. Services, such as labor and utilities, will be tied to nationally published indices for the regional area in Utah. Costs, such as Nuclear Regulatory Commission and insurance fees, will be escalated at actual escalation numbers. Therefore, customers will be responsible for the

actual costs of ensuring operating and maintenance funding for the facility on a year-by-year basis as long as their fuel is stored. Member utilities also sign separate Customer Agreements to ensure that these same restrictions apply.

LA Appendix B, Chapter 5, Section 5-2

1-7 Provide a copy of the actual PFS letter of credit (or its proposed text) which PFS states will provide decommissioning funding assurance for the \$1,631,000 which PFS estimates will be needed for facility and site decommissioning costs.

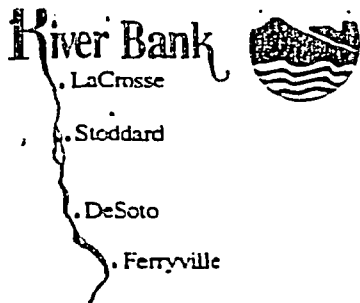
- It should state whether the amount in the letter of credit will escalate over time if the cost of decommissioning increases above the estimated amount.

RESPONSE

Attached is a copy of the confirmation that River Bank of La Crosse, Wisconsin will issue to Private Fuel Storage a letter of credit (#104) with the U. S. Nuclear Regulatory Commission as beneficiary. The actual letter of credit would be issued at the time of facility licensing, but this represents the commitment of the financial institution in response to the NRC's question. This proposed letter of credit was drafted using the guidance of NRC Regulatory Guide 3.66, which states that a letter of credit should be limited in both amount and term. The proposed letter of credit therefore has no automatic or built-in increases in amount over time. Adjustments in the amount of the letter of credit to account for any changes in the estimated decommissioning costs are addressed in the response to RAI LA 1-8.

This proposed letter of credit is in the amount of \$1.7 million. Note that the expiration date of the proposed letter of credit will extend past the achievement of full funding of decommissioning costs in an escrow account. The actual amount of the letter of credit at the time of its issuance will be adjusted to account for any increase in estimated decommissioning costs from the 1997 cost estimate, including estimated escalation over the planned two year use of the letter of credit.

~~PFS CONFIDENTIAL INFORMATION~~



April 28, 1998

Private Fuel Storage
Attn: John Parkyn, Chairman of the Board
P.O. Box C4010
La Crosse, Wisconsin 54602-4010

Subject: Letter of Credit No. 104

Dear John,

This letter is to confirm that River Bank is prepared to issue a letter of credit, the same as or similar to that attached to this letter, with the U.S. Nuclear Regulatory Commission as beneficiary and Private Fuel Storage as the applicant.

A specific fee is to be applied to this letter of credit to be determined in the future; however, the amount \$1,700,000.00 and other terms have been approved by River Bank at this point.

It is a pleasure doing business with you and I wait hearing from you as to what is the next step to take.

Sincerely yours,

H. N. Holley, E.V.P.

HNH/evm

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IRREVOCABLE STANDBY LETTER OF CREDIT

STANDBY LETTER OF CREDIT NO. 104

This Credit Expires 12-1-2005

Issued To: U.S. Nuclear Regulatory Commission; Washington, DC, 20555

Dear Sir or Madam:

We hereby establish our Standby Letter Of Credit No. 104 in your favor, at the request and for the account of (applicant's name and address) up to the aggregate amount of One million, seven hundred thousand U.S. dollars \$1,700,000.00 available upon presentation of:

- (1) your sight draft, bearing reference to this Letter of Credit No. 104 and
- (2) your signed statement reading as follows: "I certify that the amount of the draft is payable pursuant to regulations issued under authority of U.S. Nuclear Regulatory Commission.

This letter of credit is issued in accordance with regulations issued under the authority of the U.S. Nuclear Regulatory Commission (NRC), an agency of the U. S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974. The NRC has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 50, which require that a holder of, or an applicant for, a license issued under 10 CFR Part 50 provide assurance that funds will be available when needed for decommissioning.

This letter of credit is effective as of (date) and shall expire on (date at least 1 year later), but such expiration date shall be automatically extended for a period of (at least 1 year) on (date) and on each successive expiration date, unless, at least 90 days before the current expiration date, we notify both you and (licensee's name), as shown on the signed return receipts. If (licensee's name) is unable to secure alternative financial assurance to replace this letter of credit within 30 days of notification of cancellation the NRC may draw upon the full value of this letter of credit prior to cancellation. We shall give immediate notice to the applicant and the "NRC" of any notice received or action filed alleging (1) the insolvency of bankruptcy of the financial institution or (2) any violations of regulatory requirements that could result in suspension or revocation of the bank's charter or license to do business. We also shall give immediate notice if we, for any reason, become unable to fulfill our obligation under the letter of credit.

~~-PFS-CONFIDENTIAL-INFORMATION-~~

Whenever this letter of credit is drawn on under and in compliance with the terms of this letter of credit, we shall duly honor such draft upon its presentation to us within 30 days, and we shall deposit the amount of the draft directly into the standby trust fund of (licensee's name) in accordance with your instructions.

Each draft must bear on its face the clause: "Drawn under Letter of Credit No. 104, dated _____, and the total of this draft and all other drafts previously drawn under this letter of credit does not exceed (fill in amount)."

H. N. Holley, E.V.P.

Date: _____

This credit is subject to "the most recent edition of the Uniform Customs and Practice for Documentary Credits, published by the International Chamber of Commerce," or "the Uniform Commercial Code".

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LICENSE APPLICATION

LA Appendix B, Chapter 5, Section 5-2

- 1-8 (a) Provide a description of the specific methods which will be used to monitor the annual adjustments in anticipated decommissioning costs as proposed by PFS on page 5-2 of Appendix B of the PFS LA.
- The description should include the use of a specific indicator of inflation, revised cost estimates, or other means by which PFS will monitor expected changes in specific components of expected future decommissioning costs.
- (b) Indicate what method will be used to assure additional funds if for some reason(s) the actual facility and site decommissioning costs were to be significantly greater than the estimated \$1,631,000.

RESPONSE

- (a) Changes in the cost of decommissioning will be accounted for through an annual review of the decommissioning cost estimate to ensure that both the individual elements and the overall estimate either remain valid or are revised to account for any changes in the tasks, scope, cost or schedule for decommissioning. Additionally, the decommissioning cost estimate will be adjusted annually to account for the effects of inflation, utilizing the conservatively high Consumer Price Index, published by the Bureau of Labor Statistics. The amount of the Letter of Credit will be adjusted to account for any changes in the overall decommissioning costs and for deposits into the external sinking fund.
- (b) The most significant element in providing sufficient financial assurance for future decommissioning costs is a decommissioning cost estimate which is both comprehensive and conservative. A good cost estimate, which is reviewed and adjusted annually, will not involve uncertainties which could cause the total amount to be exceeded. A financial assurance amount based on such a conservative cost estimate will in fact be adequate to cover all costs associated with decommissioning.