

RAS 10266

CONDENSED TRANSCRIPT

UNITED STATES OF AMERICA

NUCLEAR REGULATORY COMMISSION

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Before the Atomic Safety and Licensing Board

AD.

In the Matter of) Docket No. 72-22
PRIVATE FUEL STORAGE) ASLPB No. 97-732-02-ISFSI
L.L.C.)
(Private Fuel Storage) DEPOSITION OF:
Facility)) <u>JOHN D. PARKYN</u>

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DEPOSITION of JOHN D. PARKYN, taken at the instance and request of the Intervenor, at the Attorney General's Office, 160 E. 300 S., 5th floor, Salt Lake City, Utah, on Wednesday, May 3, 2000, at 9:37 a.m., before VICKY McDANIEL, a Registered Professional Reporter and Notary Public in and for the State of Utah, Utah License

No. 97-108580.

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NUCLEAR REGULATORY COMMISSION
 ASLPB No. 97-732-02-ISFSI
 Docket No. 72-22 Official Exh. No. States Exh. 14

* * * In the matter of Private Fuel Storage, LLC

Staff	IDENTIFIED	X
Applicant	RECEIVED	X
Intervenor	REJECTED	X
Cont's Offr.		
Contractor	<u>Ann Riley</u>	DATE <u>6/22/00</u>
Other	Witness	<u>SHEEHAN</u>
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11 Also Present: Michael F. Sheehan
 12 Jean Braxton

I N D E X

13 The Witness Page

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1 Q And will you be a witness for Contention E?
 2 A Yeah.
 3 Q And what's the purpose of your testimony?
 4 A To basically assure that we do have enough to
 5 build an operating facility.
 6 Q Enough what?
 7 A Resources to cover the costs.
 8 Q Did you review the business plan before you
 9 came?
 10 A Yeah, I looked at the business plan.
 11 (Exhibit 7 marked for identification.)
 12 (Discussion off the record.)
 13 MR. GAUKLER: This transcript will be marked
 14 "Confidential and Proprietary."
 15 Q Sorry the copying is a little crooked. Is this
 16 a copy of your resume, Mr. Parkyn?
 17 A Sure.
 18 Q It doesn't have a whole lot of information, so
 19 I'd like to go over some of this and get some details from
 20 you.
 21 A All right.
 22 Q When did you get your bachelor of science degree
 23 from Wisconsin?
 24 A Let's see. Probably '72.
 25 Q And have you -- do you have any advanced degrees

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P R O C E E D I N G S

JOHN D. PARKYN,

1 called as a witness at the instance of the Intervenor,
 2 having first been duly sworn,
 3 was examined and testified as follows:
 4 EXAMINATION

5 BY MS. CHANCELLOR:

6 Q Good morning. Would you state your name for
 7 the record, please.
 8 A It's John spelled the traditional way, D.
 9 Parkyn, P-a-r-k-y-n.
 10 Q And how did you prepare for your deposition this
 11 morning?
 12 A I read some of our previous submittals.
 13 Q The pleadings, or were there other documents as
 14 well?
 15 A Just the licensing documents, you know,
 16 responses we sent back and forth.
 17 Q Did you bring any documents with you?
 18 A No.
 19 Q What is your understanding of what's called Utah
 20 Contention E, financial assurance contention?
 21 A Well, I guess my understanding is that it's your
 22 contention is that we don't have adequate financial
 23 assurance to build an operating facility.
 24
 25

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5

1 or any --
 2 A No.
 3 Q -- other -- okay. Have you taken any business
 4 or finance courses, business management at a university
 5 or --
 6 A No.
 7 Q -- higher education? And when were you at White
 8 Sands?
 9 A That would have been '67 to '69.
 10 Q '67 to '69. Prior to going to --
 11 A I was drafted when I was in school. It was
 12 during the Vietnam era; a lot of draftees during that
 13 time.
 14 Q And you didn't need a college degree for a
 15 certified reactor operator?
 16 A No, the other ones had degrees. I didn't have a
 17 completed degree. I started it. But no, you didn't need
 18 it. You had a proficiency test by an army board.
 19 Q Then you were at Wisconsin Electric Power?
 20 A Yeah.
 21 Q Do you recall what period of time that would
 22 have been?
 23 A Oh, I think it was '72 to '74.
 24 Q And what were your duties there?
 25 A I was an operations engineer, so I was a

1 licensed senior reactor operator.

2 Q What does an operating engineer do?

3 A Well, basically it's a term that can be applied

4 different ways in most of the nuclear plants. Degreed

5 engineer, usually nuclear, oversees facility operation,

6 facility modifications to make sure that they are in

7 conformance with the license. So if you amend something,

8 you go through the proposed amendment versus the operating

9 requirements to make sure the change would meet those.

10 Q Would you categorize this mostly as a technical

11 position as opposed to a management?

12 A It's a little bit of both, because facility

13 changes involve a team, and usually the operations

14 engineer signs the language. So they get into safety

15 costing, all the things that go into modifying the

16 facility.

17 Q So were you involved in budgeting at all when

18 you were with --

19 A Uh-huh. Changes, yeah.

20 Q Budgeting with respect to modifications to the

21 facility?

22 A Right. Costing and overseeing vendors.

23 Q And then you went to Dairyland; is that right?

24 A Right.

25 Q And when did you go to Dairyland?

1 A 1974.

2 Q And are you still employed by Dairyland?

3 A Right.

4 Q And did you hold different positions at

5 Dairyland?

6 A Yes, I did.

7 Q And when you started, what was your position

8 there?

9 A I was the operations engineer.

10 Q And were your duties similar to those at

11 Wisconsin Electric?

12 A More extensive. At Dairyland they were -- I was

13 the principal contact with the Nuclear Regulatory

14 Commission. In utilities with larger staffs it would have

15 been called director of licensing.

16 Q And for what period of time were you operations

17 engineer?

18 A Oh, I'll have to guess. I would say 1979 is

19 when I left that job.

20 Q And then what did you do after that?

21 A I was assistant superintendent.

22 Q And what does that mean?

23 A Well, in that particular case I ran the

24 operations, mechanical maintenance, electrical

25 maintenance, departments. Plus I oversaw security, which

1 is a contract.

2 Q Do they do fuel loading at --

3 A Fuel loading, fuel shipping.

4 Q Shipping, where would you ship to?

5 A We shipped to Morris, Illinois.

6 Q Oh, okay.

7 A And then returned.

8 Q And how was the fuel shipped to Morris?

9 A By truck.

10 Q And did the fuel loading involve placing the

11 fuel in canisters?

12 A Right. Well, in casks, just to get the

13 terminology straight. In that era they were casks, not

14 canisters. In other words, there was no multipurpose

15 canister. You were just putting it directly into the

16 casks.

17 Q And they were loaded in the pool?

18 A Right.

19 Q And how were they taken from the pool to the

20 truck?

21 A Well, basically you would lift the casks with

22 the fuel assembly out, put the top on. You'd have to

23 decontaminate it because it had been in the pool water

24 directly. And then after it was cleaned you would lower

25 it down with a crane to the grade level, rotate it to the

1 horizontal position, take it through the air lock and

2 containment, lift it sideways and put it on a truck, put

3 the impact levers on it and bolt it down.

4 Q So it would travel vertically?

5 A Yeah, in our containment it travels vertically.

6 Q And how did you remove the contamination from

7 the pool?

8 A Basically you would wipe down the outside with,

9 oh, different cloths like Maselin cloths, sometimes with

10 cleaning fluids on them. Generally with, you know, just

11 clear water.

12 Q And would that create low level waste?

13 A Sure.

14 Q Solid waste?

15 A Solid waste.

16 Q Solid low level waste.

17 A Uh-huh.

18 Q And your position as assistant supervisor, is

19 that still your position at Dairyland?

20 A No. It was assistant superintendent.

21 Q I beg your pardon. I just put superintendent.

22 Okay, beg your pardon. So you were assistant

23 superintendent from '79 to approximately when?

24 A I would estimate, I think it was '82.

25 Q '82, okay. And then what happened in '82?

1 A Well, then I was plant manager, chief nuke
 2 officer. Different titles in those days. Ran the plant.
 3 Q And that was from 1982 to when?
 4 A It was '82 or '83 until -- oh, let's see -- '94.
 5 Q '94, okay. And you were physically stationed at
 6 the reactor plant?
 7 A Correct.
 8 Q Okay. And then what happened after '84?
 9 A '94?
 10 Q '94. Beg your pardon.
 11 A I went to LaCrosse to work on Private Fuel
 12 Storage. That's the headquarters.
 13 Q So you went to the headquarters and you were
 14 employed by Dairyland?
 15 A Uh-huh.
 16 Q And when you say worked on PFS, what do you mean
 17 by that?
 18 A Well, basically '94 was the year in which the
 19 utilities were invited to look at the idea of interim
 20 storage as a utility group, go to their meetings that were
 21 sponsored initially by Northern States Power, as I recall.
 22 And so I went to those.
 23 Q And were you involved with the Mescalero
 24 project?
 25 A Sure.

1 budgeting, next year's budgeting, compliance with budget.
 2 Q Staffing?
 3 A Staffing. I hired and fired.
 4 Q And have you had any practical experience, any
 5 other experience that may involve finance, management --
 6 A Sure.
 7 Q -- banking, that sort of thing?
 8 A I was treasurer of the school district, the
 9 school district of LaCrosse for probably about eight years
 10 before I was vice president and president.
 11 Q So eight years?
 12 A Approximately. It was 11 years on the board and
 13 first eight years treasurer. So there I did a lot of the
 14 budgeting, planning. Wisconsin has pretty strict codes,
 15 in other words, they have cost controls on school
 16 districts so you have to get into quite a bit of detail.
 17 I also negotiated as chair of the negotiating committee
 18 all the labor contracts, which were about .83 percent of
 19 our expenditures.
 20 Q For the school district?
 21 A Uh-huh.
 22 Q Well, that's quite an experience.
 23 A Yeah. That's one you never forget.
 24 Q Approximately what was the budget of the school
 25 district? What sort of range?

1 Q So your full-time duties from '94 on have
 2 involved Private Fuel Storage or its predecessor?
 3 A Principally. I do some things at Dairyland,
 4 strategic planning, issues like that. Principally PFS.
 5 Q Any management, budget, finance planning for
 6 Dairyland?
 7 A Not much after '94, other than the strategic
 8 initiatives and things like that.
 9 Q What's a strategic initiative?
 10 A That's when a company or an agency steps back,
 11 looks at its, you know, its history and where it's going,
 12 and then tries to decide if there have to be changes or
 13 initiatives to better prepare for the future.
 14 Q I'm trying to get a handle on what sort of
 15 experience you have, because as part of your pleading that
 16 says that you'll be a witness, it talks about your
 17 expertise in management.
 18 A Uh-huh.
 19 Q And so I was trying to get a handle on -- prior
 20 to '94 you said that you did have management --
 21 A Basically --
 22 Q -- finance experience.
 23 A Yeah. The nuclear facility, I did all of the
 24 budgeting as superintendent and as assistant
 25 superintendent. So it would be long-range planning

1 A Probably 50 to 55 million a year.
 2 Q Okay. So that's with the school district. And
 3 approximately what time period would that have been?
 4 A Oh, let's see. I was on the board probably
 5 until about '94.
 6 Q Till '94; and you were there --
 7 A Ee my guess.
 8 Q -- about 11 years, okay.
 9 A I was there 11 years. And then I was on the
 10 county board for 18 years, oh, probably '78 on to mid
 11 90's. And there I was basically -- I was vice chair, by
 12 title, of the finance committee; but I did -- the chairman
 13 was an older person, so I basically did the county
 14 budgeting. We didn't have a financial department or any
 15 financial staff at all.
 16 Q Was this a voluntary position or a paid
 17 position?
 18 A This was a paid position. Both of these are
 19 elected public officials.
 20 Q Okay. And what sort of budget are we talking
 21 about for the county?
 22 A Oh, I guess, I suppose 10 to 12 million dollar
 23 range. We had the usual law enforcement, different
 24 departments, highway. A lot of interaction with state
 25 agencies.

1 Q What was the name of the county?
 2 A Vernon, V-e-r-n-o-n, Wisconsin.
 3 Q Any other experience?
 4 A Yeah. I've been on the bank board as compliance
 5 director at River Bank.
 6 Q Compliance director?
 7 A Uh-huh.
 8 Q And what's a compliance director?
 9 A Well, it's a member of the board of directors
 10 who's basically to oversee compliance with federal
 11 regulations, like the Community Reinvestment Act, as far
 12 as localizing loans, areas that have minority populations,
 13 and the FDIC regulations as far as adequacy of loans.
 14 Q So --
 15 A And the collateral of the bank loans, issues
 16 like that.
 17 Q So it's compliance, the bank's compliance with
 18 laws and regulations?
 19 A That affect their lending policies and their
 20 financial solvency.
 21 Q As opposed to customer compliance with the bank?
 22 A Yeah. And prior to the bank merger I was
 23 chairman of the board of the Bank of Stoddard and the Bank
 24 of Ferryville, which were the two small banks that were
 25 merged to form River Bank. And in all these cases I've

1 the last ten years?
 2 A I don't know that I have any specifically in the
 3 last ten years, no.
 4 Q And have you testified at all in any proceedings
 5 in the last ten years?
 6 A Not in the last ten.
 7 Q And in the last part of your resume it mentions
 8 positions held in nuclear facilities. I'd just like to go
 9 through and sort of tick these off. Relief shift
 10 supervisor, where would that have been?
 11 A That was at LaCrosse and briefly at Point Beach.
 12 Q Now, LaCrosse is Dairyland, and Point Beach
 13 is --
 14 A Wisconsin Electric.
 15 Q Wisconsin Electric. Shift technical supervisor?
 16 A Adviser. That was at LaCrosse.
 17 Q Relief operator?
 18 A That was both places.
 19 Q Operations engineer?
 20 A With the capitals it was LaCrosse. They didn't
 21 use capital letters. There were several of them at Point
 22 Beach.
 23 Q Is there any sort of ranking in these
 24 positions --
 25 A No.

1 also been on the loan committee, you know, that looks at
 2 business plans as they come in, applicants.
 3 Q So River Bank is the primary --
 4 A Yeah. It's the result of a merger between those
 5 two banks. It now has six branches, but originally it
 6 started with those two.
 7 Q It started with Stoddard and Ferryville?
 8 A Uh-huh.
 9 Q Is it still called -- is it called the Bank of
 10 Stoddard or River Bank?
 11 A No, now it's River Bank with branches in
 12 Stoddard, Ferryville, LaCrosse -- four cities besides
 13 those original two.
 14 Q As I recall, the letter of credit that PFS is
 15 going to obtain for the \$1.6 million decommissioning will
 16 come from River Bank?
 17 A Right. They're our depository.
 18 Q And did you have any conflict of interest --
 19 A No.
 20 Q -- with obtaining --
 21 A I just stayed out of it as I would with any
 22 personal loan.
 23 Q Moving on on your resume, publications. For
 24 witnesses we agreed that we would list publications for
 25 the last ten years; and do you have any publications for

1 Q -- held? I mean, are we going from the most
 2 senior to the --
 3 A No.
 4 Q No, the least senior to the most senior?
 5 A Not really, no.
 6 Q If you were to rank these in terms of --
 7 A Well, the bottom two are the senior ones.
 8 Q Technical assistant?
 9 A That was part of what I did at Point Beach.
 10 Q Assistant superintendent?
 11 A That was LaCrosse.
 12 Q Plant manager?
 13 A LaCrosse.
 14 Q And the last one was also LaCrosse?
 15 A LaCrosse.
 16 Q Okay. Anything else you'd like to add about
 17 your experience with respect to finance management
 18 experience that will enable you to run a 4,000 cask
 19 facility?
 20 A Well, there was a lot of volunteer stuff. I
 21 don't know if it's necessary to mention that. I was
 22 chairman of the Wisconsin Masonic homes. We ran several
 23 nursing homes. That was for a period of about ten years.
 24 So I did do a lot of their budgeting as we built
 25 facilities.

1 Q And what size bed facilities would these --
 2 A Oh, I don't even know the total. We had
 3 somewhere in the neighborhood of \$45 million invested,
 4 annual budget of about \$10 million. I know the one, the
 5 southern one is probably about 140 beds. It's a skilled
 6 nursing home. And then we have some independent living
 7 facilities. It's kind of the entire spectrum of personal
 8 care.

9 Q Did any of the positions you held involve any
 10 sort of complex scheduling? I'm thinking of, you know,
 11 just getting the casks to the facility.

12 A Sure. The ones at LaCrosse -- we also shipped
 13 fuel at Point Beach when I was there, both to Morris and
 14 to West Valley, New York. So I was also fuel shipping
 15 supervisor there. A lot of people who have the SRO title
 16 get tabbed to be the shipping supervisor on the shift. So
 17 in both places I was fuel shipping supervisor.

18 Q And when you were -- how was the fuel shipped at
 19 Point Beach? Was it similar to --

20 A Yeah. It was truck casks to both locations.

21 Q What size casks would this be?

22 A I'm guessing two assemblies. It was quite a
 23 ways back down the road. That's what most of them were in
 24 those days. They were ones or twos. Between LaCrosse and
 25 Point Beach. I don't remember exactly.

1 Q The dollar amount is [REDACTED]

2 A [REDACTED], right.

3 Q In 1997 dollars?

4 A Precisely, yeah.

5 Q In other submittals we have seen a dollar amount
 6 of [REDACTED].

7 A Uh-huh.

8 Q So what is the base payment? Is it [REDACTED] or [REDACTED]?

9 A It's [REDACTED]. Yeah, this is just an internal
 10 document that John had worked on for something at GPU. I
 11 don't know. He sent it to me so I could see it.

12 MR. GAUKLER: General objection to this line of
 13 questioning in terms of it gets into funding issues,
 14 improper dialogue with background so forth.

15 MS. CHANCELLOR: Okay, just to put on the record
 16 that to the extent the base payments don't cover the cost
 17 of either constructing or operating the facility, then
 18 there will be a need for debt, and that's an added cost.
 19 So that's where I'm going with it.

20 Q (BY MS. CHANCELLOR) Now, the breakdown, the
 21 first base payment, currently how much is that?

22 A It's [REDACTED] and [REDACTED].

23 Q [REDACTED] and [REDACTED] okay. And
 24 what will that be used for?

25 A That's strictly for construction.

1 Q So what -- any idea of weight, the casks?

2 A Not from my memory, no. It fit on a 50-ton
 3 crane, so --

4 Q So it would have to be less than 50 tons?

5 A It's something less than 50 tons.

6 Q Okay. Gives us a ballpark range.

7 So I guess you've seen a lot of technological
 8 change in your career?

9 A Yeah, definitely.

10 Q If I could have Exhibit 2 from Mr. Kapitz'
 11 deposition. Have you seen -- the cover letter from GPU,
 12 have you seen this before?

13 A You mean the Vincent letter?

14 Q Yes, that's correct.

15 A Yeah.

16 Q I'd like to try to understand the cost of
 17 storage of PFS and what the base payments actually are and
 18 what they are attributable to.

19 A Okay.

20 Q Now, this letter from Mr. Vincent says [REDACTED], and
 21 there are some FAI responses. And also in the budget I
 22 believe it mentions a figure of --

23 A It actually says '97 dollars. It happens to say
 24 [REDACTED], not dollars in 1994. Parentheses behind it is
 25 his guesstimate as to what 1997 dollars would be.

1 Q And does the 1.6 decommissioning, does that come
 2 out of the [REDACTED]?

3 A No.

4 Q Okay, strictly construction. All right. And
 5 then what's the second base payment?

6 A Second base payment is enough to cover the costs
 7 of canister storage casks. Some people call it storage
 8 overpack.

9 Q And will PFS actually manufacture the canisters?

10 A No.

11 Q Will they manufacturer the casks?

12 A No.

13 Q Where will that be done?

14 A Well, it's up to the vendors we use. We have
 15 encouraged them to do it in Utah. Most probably in Tooele
 16 or Salt Lake City.

17 Q So you would purchase directly from a
 18 manufacturer wherever that manufacturer --

19 A That has a national license that would
 20 manufacture it locally.

21 Q So the manufacturer would have to obtain a
 22 license. Is that from NRC or from Holtec?

23 A It's from NRC. Holtec is an example of one that
 24 will have a license, would have a license from the NRC.
 25 That would cover their manufacturing. Regardless of wher-

1 they happen to manufacture, they have to manufacture to
 2 the terms of the license.
 3 Q I think I'm a little confused. Holtec has a
 4 certificate of compliance from the NRC for the canister --
 5 A Yeah.
 6 Q -- and the cask --
 7 A Now, I have a tendency to call those licenses.
 8 Q So Holtec has a certificate of compliance. For
 9 purposes of manufacturing those casks and canisters, and
 10 we can split them out if we need to, you're saying that
 11 there's some sort of manufacturing license that needs to
 12 be attained from --
 13 A It's not a manufacturing license. The holder of
 14 this C of C, Certificate of Compliance, has a quality
 15 assurance plan that governs how these are manufactured.
 16 So when they manufacture them, however they choose to do
 17 it, you know, whichever shop they choose to use has to
 18 comply with the certificate of compliance, follow the
 19 quality assurance program. That's approved by the Nuclear
 20 Regulatory Commission as part of that C of C. And that's
 21 the responsibility of the person who holds or is named in
 22 the C of C in the case you gave as an example, Holtec.
 23 Q So the manufacturer does not have to obtain a
 24 license --
 25 A No.

1 metric ton. But as many as are signed up would still be
 2 paying [redacted], basically.
 3 Q And if people signed up later, they'd still be
 4 paying [redacted]?
 5 A Yeah.
 6 Q And when would the second base payment be due?
 7 A Approximately a year before shipment.
 8 Q Okay. And do you have a rough split of what --
 9 between the second and third base payments?
 10 A A rough split of dollars?
 11 Q Of the [redacted]. You've got [redacted] --
 12 A Well, roughly [redacted] and [redacted].
 13 Q [redacted] and [redacted]. So what is the
 14 third base payment for?
 15 A Well, that's everything else to make the [redacted].
 16 That would pay decommissioning, whatever margins there
 17 were, any other expenses we have, basically.
 18 Q Decommissioning, out of that [redacted], that is to pay
 19 the \$1.6 million for the site detailing?
 20 A No. If you're thinking of decommissioning it,
 21 think of the [redacted] more as [redacted].
 22 Q Right.
 23 A Because that's what you're really talking about.
 24 Q Exactly.
 25 A Basically \$40,000 of that goes to

1 Q -- or any sort of permit from the Nuclear
 2 Regulatory Commission?
 3 A No, there's no -- the responsibility rests
 4 firmly with the person who obtains the C of C, the firm.
 5 Q In this case Holtec --
 6 A Yeah.
 7 Q -- okay, got it?
 8 A And they can't delegate it, so...
 9 Q When do you anticipate that the construction of
 10 the first base payment will be due?
 11 A Well, the first base payment would be due
 12 relatively soon after the license is issued. It will be
 13 spelled out in an agreement with the utilities.
 14 Q And is that entire [redacted] amount payable regardless
 15 of the size facility?
 16 A Yeah.
 17 Q And that would fund what size facility?
 18 A Well, it would depend on how many service
 19 agreements you have. It's sufficient to fund construction
 20 even at, oh, if you looked at a [redacted] metric ton
 21 facility, that would produce basically what's required for
 22 construction of the facility. Above that, most of it
 23 would be excess.
 24 Q So [redacted] --
 25 A Would come from [redacted] metric tons at [redacted] per

1 decommissioning in one form or another. So you have the
 2 \$17,000 that you think of as the radiological
 3 decommissioning fund, and you have a contribution towards
 4 the \$1.6 million that retires a letter of credit. And
 5 then you have the balance that's available for
 6 nonradiological decommissioning.
 7 Q Now, it's \$17,000 per cask, correct, for
 8 decommissioning of the casks. So if you have a 10 MTU
 9 facility, you're going to have -- \$170,000 of the [redacted]
 10 will be for decommissioning of the casks? Is my math
 11 right?
 12 A No, your math would be wrong. Let's see.
 13 [redacted] would be for decommissioning individual casks, so
 14 that would be the \$17,000. And you said at [redacted] MTU. You
 15 mean, [redacted] Let's see. That would be [redacted] casks,
 16 so the [redacted] casks at \$17,000, that would be about [redacted]
 17 [redacted]. I'm trying to do it in my head.
 18 Q Let me just go back and make sure I understand
 19 it. So of the [redacted] --
 20 A Is for decommissioning total.
 21 Q So that's [redacted] --
 22 A Dollars.
 23 Q -- per cask?
 24 A Per cask, yeah. So you're talking in case of [redacted]
 25 [redacted] casks, so you're really talking --

1 Q I got confused. So of that \$40,000, \$17,000 per
2 cask is for decommissioning the cask --

3 A The cask.

4 Q -- and part of the balance is to help reduce,
5 pay down the letter of credit?

6 A Right.

7 Q And then the excess or the balance is used for
8 what?

9 A It's just saved for nonradiological
10 decommissioning. In other words, the NRC prescribes
11 radiological decommissioning, which means that you move
12 towards termination of license by cleaning up any
13 radioactive material at the site. We've gone somewhat
14 beyond that by saying we'll also be restoring the site, so
15 we have money for nonradiological decommissioning which is
16 not part of the NRC process. So that's where the balance
17 is.

18 Q Okay. Now, this letter from Mr. Vincent talks
19 about a transportation allocation out of the third
20 base payment.

21 A Correct.

22 Q Does that also come out of this?

23 A Yeah. They pay the actual transportation costs,
24 but in our budget we've allocated approximately out
25 of the towards transportation costs.

1 Q [REDACTED]
2 A [REDACTED]
3 Q [REDACTED]
4 [REDACTED]
5 A [REDACTED]
6 [REDACTED]
7 Q [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 A [REDACTED]
11 [REDACTED]
12 Q [REDACTED]
13 [REDACTED]
14 A [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 Q [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 A [REDACTED]
24 [REDACTED]
25 Q [REDACTED]

1 Q And that would come out of the third base
2 payment portion?

3 A Yeah.

4 Q And what transportation are we talking about
5 here?

6 A Rail.

7 Q From where to where?

8 A Basically, in most cases from the reactor to the
9 site. Obviously we have two options of getting to the
10 site which I think you're aware of. Some reactors don't
11 have rail at the site, so they would have to move it by
12 truck or barge to a railhead.

13 Q And is that included in this \$7.50, getting it
14 from --

15 A [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 A [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 A No.
6 MR. GAUKLER: Object, calls for a legal
7 conclusion. But answer if you can.
8 THE WITNESS: I'm sorry, I didn't hear.
9 MR. GAUKLER: I objected. It calls for a legal
10 conclusion. You can answer if you can.
11 A Yeah. You had just made a statement. Shipping
12 to PFS is not part of the construction costs. That's what
13 you just said.
14 Q Right.
15 A But it's not, no.
16 Q Okay.
17 A The rail fees, the nominal fees were budgeted as
18 part of the operating cost, not the construction cost.
19 Q Okay. So it's part of the operating cost to
20 PFS?
21 A Uh-huh.
22 Q And would you consider that to be part of the
23 demonstration that you would need to show NRC to meet your
24 second license condition as to how much funds you would
25 need to operate the facility?

1 A [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 Q What we are litigating in Contention E is to

5 come up with some, as I understand it, is some sort of

6 dollar amount that NRC can evaluate the license condition

7 against. [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 A [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 Q [REDACTED]

18 A [REDACTED]

19 Q [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 A [REDACTED]

25 Q [REDACTED]

1 Q Yes, beg your pardon. What's operations

2 support?

3 A Well, there's a page in the business plan that

4 goes into that. I don't have it in front of me.

5 Q I have the business plan here. It's the 1998.

6 And then we also have an exhibit from yesterday. We have

7 some synopsis of the -- portions of business plan here.

8 A There it is. I'll give you this one so I don't

9 make a mess out of it.

10 Q We've already done that.

11 A Okay. Basically operations support tracks back

12 to this list of page 43 of which you've given me, so we

13 don't need to read the titles.

14 Q Okay. No, if you could just help me with that.

15 A Okay, travel and living.

16 Q So is it all the administrative costs?

17 A Yeah. I just put the phrase "administrative"

18 above it, yeah.

19 Q And so administrative costs translate to

20 operations support?

21 A Support, yeah. It's non-labor.

22 Q Storage canister, is that the HI-STORM? No,

23 canister.

24 A Storage canisters, those would be the -- well,

25 yeah. I mean, that's basically the canister in which the

1 A Yeah.

2 Q I'm trying to get a handle on what the actual

3 operating costs are, and in the license application on

4 page 1.7 there's a narrative description there of the

5 operating -- same one we used yesterday -- of the

6 operating costs. And I'd just like to go down this list,

7 if I could.

8 A There's no list in here.

9 Q Oh, I beg your pardon. I made a list out of it.

10 It mentions labor.

11 A Okay.

12 Q What size labor force will you need to initially

13 commence operation of the facility?

14 A We're scheduled to have 42 people.

15 Q And will that labor force change depending on

16 the volume of fuel that comes into PFS?

17 A No.

18 Q Will it change as to when the volume -- as to

19 any shipments out of PFS?

20 A No.

21 Q So the labor force will remain constant?

22 A Right.

23 Q And then it says annual costs include

24 operations.

25 A Are you talking about operation support?

1 fuel is placed regardless of vendor. In the case of

2 Holtec, it's the canister. The HI-STORM is the storage

3 cask, the term they use.

4 Q Do you anticipate that you'll be able to use

5 canisters other than a Holtec canister?

6 A Yeah, the license would allow that with the

7 necessary amendments if other vendors receive a CFC in

8 compliance with the site conditions.

9 Q Do you anticipate over the next 20 years that

10 you would be looking at other canisters?

11 A Yes. Now, other vendors you're talking about,

12 sure.

13 Q Canisters from other vendors.

14 A Correct, yeah.

15 Q Can you project at all whether there would be a

16 cost increase or a cost savings?

17 A No, I couldn't.

18 Q Storage cask. At the moment, the HI-STORM is

19 the only one under your application that you could use at

20 the moment?

21 A Correct. That's the trade name for Holtec

22 storage casks.

23 Q And is any part of the storage cask manufactured

24 on site?

25 A It can be. It's a metal shell that's filled

1 with concrete for shielding.
 2 Q Have you budgeted for it to be manufactured on
 3 site or off site?
 4 A No, it's pretty location neutral so far as
 5 manufacturing. So it's not budgeted for manufacturing in
 6 a specific location.
 7 Q Is it correct that you have a concrete batch
 8 plant on site?
 9 A For construction at the site.
 10 Q Okay. So the concrete batch plant will be used
 11 for what types of activities, what types of structures?
 12 A Well, when building the site, of course, the
 13 batch plant would basically be the building foundations,
 14 wherever concrete was used in the building, the slabs on
 15 which the casks are --
 16 Q And could the batch plant be used to put the
 17 cement into the --
 18 A I honestly -- I can't answer that one. I don't
 19 know if there's a different technical requirement for that
 20 concrete. I'd have to look at the license.
 21 Q But do you anticipate -- do you anticipate doing
 22 that on site, or do you anticipate buying the storage cask
 23 complete from the manufacturer?
 24 MR. CAULKER: I object, asked and answered. Go
 25 ahead.

1 A Uh-huh.
 2 Q And have you got bids for that amount?
 3 A We have a memo of understanding with the one
 4 vendor for [REDACTED] canisters.
 5 Q At what cost?
 6 A Uh-huh.
 7 Q Delivered at the site?
 8 A Well, basically where we want it. But you'll
 9 notice that under railroad fees we're shipping it empty
 10 with the new canisters, so we contemplate delivery to the
 11 site.
 12 Q Delivery to the reactor site or the PFS site?
 13 A No, PFS site, because the railroad car has to
 14 move out there. And it says empty with new canister. It
 15 goes back in mixed freight. So the canister just rides
 16 along free in the transportation casks.
 17 Q Okay. So the canister -- the canister is
 18 delivered to the PFS facility?
 19 A Uh-huh.
 20 Q And then is it shipped to the reactor site from
 21 PFS?
 22 A Right.
 23 Q And is the reactor -- is the reactor utility
 24 responsible for the transport -- for having the
 25 transportation cask on site at the reactor?

1 A I don't know. We'll buy it from the
 2 manufacturer. I don't know where he'll manufacture it.
 3 Q Well, how will you account for the cost of
 4 getting the storage cask to the site? How does your
 5 budget account for the cost of getting the storage casks
 6 to the site?
 7 A Basically the bids that we have -- the prices
 8 we've used have asked for them to be available to us
 9 wherever, whether it's at the site or at a reactor. It
 10 becomes what's the lowest cost option, where the
 11 manufacturer chooses to finish building that.
 12 Q I can't remember where I've seen some of these
 13 numbers. Here it is. Okay, on page 16, it talks about
 14 the cost of procurement and/or fabrication of canisters.
 15 A Yeah, I see it.
 16 Q This [REDACTED] how is that cost determined
 17 and what does it include?
 18 A Well, basically it would include the costs of
 19 the canisters, which is per unit right on the page you
 20 were looking at earlier, page 43.
 21 Q I was looking for it there and didn't find it.
 22 A Just go down below the [REDACTED]
 23 Q Unit costs. Oh, there they are. I thought it
 24 was on this page. So the unit cost per canister is
 25 [REDACTED]

1 A You mean what are they responsible for? Are you
 2 talking about -- you'll have to clarify that.
 3 Q Yeah. It was a terrible question, I agree. How
 4 is the transportation overpack, how is that delivered or
 5 gotten to the reactor facility?
 6 A Oh, the cask, it's shipped in mixed freight.
 7 MR. CAULKER: You're talking about the
 8 transportation cask?
 9 MS. CHANCELLOR: Transportation cask, the
 10 HI-STAR Roltec cask.
 11 MR. CAULKER: Let's be correct.
 12 MS. CHANCELLOR: I know. The terminology is
 13 terrible. Takes forever to understand this.
 14 THE WITNESS: It's shipped to the utility.
 15 Q Shipped from the Roltec manufacturer?
 16 A No, shipped from PFS, because you only have a
 17 few of them and they're going to reactors that are in
 18 different locations around the country. So it's always
 19 coming back to PFS.
 20 Q So PFS will obtain the -- let's just have our
 21 universe as Roltec casks.
 22 A Yeah, that's fine.
 23 Q So PFS will obtain the HI-STAR transportation
 24 cask?
 25 A Precisely, yes.

Q And you will purchase those; they're not the overpacks?

A No, they're not.

Q They're the storage casks?

A The overpack, for purposes of your terminology, is called the HI-STORM.

Q Okay. So is there a unit cost for the HI-STAR transportation cask?

A Right, construction, because you only buy a few of those once.

Q And do you know roughly that price, or would you like to look in the business plan?

A It's [REDACTED] shipping unit.

Q Shipping unit, is that what the impact limit is?

A It's transportation cask, which we use the term HI-STAR:

Q HI-STAR, okay.

A Impact limiters, the railroad car.

Q Oh, the railroad car.

A And the yoke.

Q And the yoke?

A So you think of the casks sitting down in the yoke that's fastened to the railroads.

Q So you've got a complete unit --

A Shipping, yeah.

Q -- that you can put on rails?

A Right. It travels as a package.

Q And that's [REDACTED] per shipping unit?

A Yup.

Q So PFS obtains the canister and the shipping unit --

A No, the cask.

Q The canister and the cask?

A Forget the canister. Remember that's -- down here is -- you have to have one for each shipment.

Q Right. But I'm trying to understand how you get this package from PFS to the reactor so the reactor can put fuel in it and ship it back.

A You ship it by rail and mixed freight.

Q And when you say ship it by rail, does it ship -- does the transportation cask have a canister inside it when you ship it to the reactor?

A Precisely, yeah. Put it in a new cask each time.

Q New cask, okay. It goes to the reactor site, and then does PFS have any involvement at the reactor site once -- when the shipping cask and new canister arrive at the reactor site?

A Only oversight. They don't handle them in any

1 way.

2 Q And what sort of oversight do you have?

3 A Basically we'll have a nuclear engineer there

4 that will ensure that they're loaded in accordance with

5 procedure.

6 Q And is PFS going to supply equipment to the

7 reactor so that the reactor can load the fuel into the

8 Holtec system?

9 A Uh-huh.

10 Q If you would take a look at, from the Kapitz

11 deposition, Exhibit 6. This is a letter from Holtec to

12 Mr. Max DeLong. Have you seen this letter before?

13 A Yes, I have:

14 Q Is PFS going to -- are the reactor sites such

15 that you will need to provide different equipment to

16 different reactor sites?

17 A Correct.

18 Q And is any of the equipment -- is it different

19 equipment for each site?

20 A No.

21 Q Or are some sites compatible?

22 A No, there's two options there.

23 Q Two options, and what are they?

24 A Well, one is loading the entire canister in a

25 pool using the transfer casks for shielding.

1 Q Wait a minute. You load the entire canister in

2 the pool, and what do you use for shielding?

3 A It's called a transfer cask. And HI -- I'm

4 sorry --

5 Q HI-TRAK?

6 A HI-TRAK in terms of Holtec terminology. Of

7 course, each vendor has their own names.

8 Q So this is actually done in the pool, and the

9 HI-TRAK canister is actually in the pool?

10 A The HI-TRAK transfer cask.

11 Q Yeah, transfer cask. That's in the pool too?

12 A The canister's inside that.

13 Q Right.

14 A It's complicated.

15 Q Yeah. So one option is to load the fuel rods

16 into the canister, and so you've got the canister and the

17 HI-TRAK transfer cask actually in the pool?

18 A Precisely.

19 Q And then you lift -- then what do you do?

20 A Basically once it's loaded you put the top on

21 the canister. You would lift it out inside the transfer

22 cask, which it provides a shielding that after you take it

23 out of the transfer cask, the transportation cask provides

24 a shielding. Once you get to site, the storage cask, the

25 HI-STORM provides the shielding.

1 Q Okay. So can you use the same type of crane --
2 if you're going to use this option, do you use the same
3 type of crane at each reactor facility?

4 A Well, it's basically dependent on what the crane
5 is rated at that's in the reactor facility, whether they
6 can use this option or not.

7 Q So if the reactor facility has a crane that can
8 take this load, would you use this option?

9 A It's up to the utility, but generally they
10 would.

11 Q And what's the other option?

12 A Dry transfer.

13 Q Dry transfer, okay. And how does dry transfer
14 work?

15 A Well, now you're keeping the canister outside
16 the pool, and you're moving one to four assemblies at a
17 time in a dry transfer cask.

18 Q And are there any dry transfer casks approved by
19 NRC?

20 A I don't know. They're just a topical report.
21 They're only used on site. So they've been used in the
22 past. I don't know if there's any currently approved. We
23 have our own, so we wouldn't be using an existing one
24 anyway.

25 Q Would you need to get a Part 72 license from

1 if it meets the requirements through the topical report to
2 be used on the site. And it can be used obviously at any
3 site where there's a valid Part 50 license. So PFS is
4 just buying and providing the equipment.

5 Q And would you be training personnel at the
6 reactor site to use the dry transfer cask?

7 A Only to a limited degree. The licensee has the
8 responsibility to provide that training under 10 CFR 50,
9 55. So they would have to provide the formal training.

10 Q And have you budgeted anything for training at
11 reactor sites?

12 A We have in our budget sending a person to the
13 site for oversight of it, but we provide the procedures
14 and the equipment to the reactor. Licensee, under the
15 rules, they have to train the people, because under their
16 quality assurance program they're responsible for the
17 adequacy of it. So we can't take their place and train
18 their people and sign them off for something like that.
19 So the person out there would provide that.

20 Q And this dry transfer cask, is it mobile in the
21 sense of the same dry transfer cask would be shipped to
22 another nuclear reactor and used by --

23 A Used at different plants, uh-huh.

24 Q So you could only move one to four assemblies at
25 a time?

1 NRC?

2 A No, it's just a topical report for use for dry
3 transfer.

4 Q Can you explain topical report?

5 A Well, basically there's a technical report, then
6 there's a rule making process. Paul may have to give me
7 guidance here. It takes roughly a year to approve its use
8 on the site. So it's then used in effect under your Part
9 50 license.

10 So it's not a cask that could ever be used to
11 ship. We would have to have a Part 71 license. Doesn't
12 go off the Part 50 site with any fuel in it.

13 Q But PFS would obtain this --

14 A Dry transfer.

15 Q -- transfer cask. But PFS doesn't have a Part
16 50 license, correct?

17 A They wouldn't be using the dry transfer cask at
18 a Part 50 site. The licensee would.

19 Q So the licensee under its Part 50 license --

20 A Would use the dry transfer cask.

21 Q And would have to obtain some sort of authority
22 from NRC to use it on site?

23 MR. GAUKLER: Objection, calls for a legal
24 conclusion. You can answer if you can.

25 A I mean, the cask, basically the NRC would decide

1 A Correct.

2 Q Take a while to load a canister, right?

3 A It would take -- yeah, takes some time.

4 Q Days?

5 A Oh, I would suspect particularly a EWR --
6 boiling water reactor. That takes more fuel assembly, so
7 therefore it would take more time if you use dry transfer.

8 Q In this dry transfer cask system, currently
9 under PFS's license, that would only be -- the reactor
10 would only be permitted to load into a Holtec canister,
11 correct?

12 A No. The dry transfer capability would be
13 designed for, you know, whatever vendors we would use.
14 Currently Holtec.

15 Q But for purposes of determining operation costs
16 now, is PFS budgeting for Holtec multi-cask system?

17 MR. GAUKLER: Objection, vague. If he can
18 answer that question, he may.

19 A I don't know what your question is.

20 Q You don't know what I'm asking. Good point. I
21 will certainly rephrase it.

22 In PFS's budget where you budget for dry cask,
23 dry transfer casks, canisters, anything that deals with
24 getting the fuel from the reactor site to the PFS facility
25 that involves casks or canisters or such equipment, are

your budget figures based on Holtec equipment and structures?

A Not in the case of dry transfer. In other words, obviously in the base of the canisters, because you've seen the letter, they are. In the case of the dry transfer casks, they could certainly be designed to be used with other vendors' equipment. They're just made up and transfer the fuel in. And Holtec's not building them for us, though they can bid on it if they chose to. So they're not a Holtec piece of gear.

Q Okay. So getting the fuel in this dry transfer cask into a canister, are there other canisters that can be used that are compatible with or that are allowed to be used currently with the HI-STAR transportation cask?

A Not that I'm aware of. You're talking about canisters of other vendors fitting into a Holtec transportation cask?

Q That's correct.

A I don't know that there are any.

Q And does your budget reflect that reality?

A Yeah. In other words, if we use other ones, then basically we would have to buy their transportation cask or they would have to provide it, and it's a condition of others coming in.

Q Let me make sure I just understand this. For

purposes of PFS's cost of getting the fuel from the reactor site to PFS, there are two options: the HI-TRAK shielding in the pool option and this dry transfer cask system.

A Just to correct you: it's not the costs of getting it to the PFS site. Again, remember that was bought in the construction costs. The hardware was bought under the construction. You're mixing it in with the operation.

Q Okay. So the construction costs includes the HI-TRAK shielding option. I'm still struggling --

A You've got it. Keep going.

Q I'm still struggling with the dry transfer cask.

A It includes those.

Q And if the dry transfer cask option at a reactor is such that you can't load the assemblies into a Holtec canister, how is that reflected in your construction budget for canisters?

A You've lost me.

Q I've lost you, okay.

A If what is such that we couldn't load?

Q You said that the dry transfer casks, under that option they need not -- the fuel assemblies need not necessarily be loaded into a Holtec canister.

A That is correct.

1 Q And at the moment, the only -- only canister
2 compatible with a Holtec transportation cask is a Holtec
3 canister?

4 A That's right.

5 Q So why does PFS plan to buy any other canisters?
6 Has it budgeted for any other canisters other than Holtec
7 canisters?

8 A It's budgeted for canisters, and the number is
9 sufficient using the price that Holtec gives. So your
10 answer basically would get back to the original question
11 you asked me before. Would we allow other ones in? Yes.
12 They'd have to be price competitive. The dry transfer
13 equipment can be used with different ones. It's just an
14 index amount. It's not unique like these other things.

15 Q And what's the cost of this dry transfer cask?
16 Do you want the business plan?

17 A Construction estimate or --

18 Q Does this help if you have the business plan?

19 A [REDACTED] each.

20 Q And what page is that?

21 A Seventy-four.

22 Q Seventy-four. And what scenario?

23 A I opened it at 12.8.

24 Q Okay. Do you need to take a break? Just let me
25 know whenever you need to take a break.

1 A It's up to you.

2 Q I'm fine. I could go all day.

3 MR. GAUKLER: We're having so much fun, right?

4 Q Okay. Back to the license application and what
5 operation costs include. Transportation fees -- what are
6 transportation fees again in terms of operation, annual
7 operation costs in the license application?

8 A The transportation fees basically included an
9 allowance for shipping. So they're listed in there, you
10 know, as a rough estimate.

11 Q Is that shipping the canister and the
12 transportation cask to the facility and then getting the
13 loaded fuel back?

14 A Yeah. Basically shipping out is so small
15 compared to shipping back is dominant.

16 Q So it's mixed freight out?

17 A Yeah.

18 Q And dedicated train back?

19 A Yup. That's our intent.

20 Q What's transport and storage consumables?

21 A That's basically some funding we left in there
22 or added in there for unanticipated costs, you know, when
23 you're transporting something. So consumables could be an
24 O-ring, it could be paper clothing, it could be almost
25 anything you'd want to put on someone to handle a

1 shipment, then have to replace --

2 Q That's different from parts, maintenance and

3 parts?

4 A Yeah. Consumables would be basically something

5 used up.

6 Q Okay. Low level waste disposal. What does --

7 what is included under operations for low level waste

8 disposal?

9 A You mean the amount?

10 Q No, no, general categories. What types of items

11 would generate low level waste?

12 A Well, we don't contemplate any, but it was put

13 in there just in case anything would generate low level

14 waste and would have to be buried.

15 Q If the Band exercised its option of -- strike

16 that. Is it correct that the Band has the option of

17 having the storage pads removed at the end of the life of

18 the facility?

19 A Yes.

20 Q And would the -- is it possible that some of the

21 pads may need to be disposed of as low level radioactive

22 waste?

23 A No.

24 Q Why is that?

25 A Because basically, the way they're structured,

1 A It could be. I just picked Barnwell when I did

2 the estimates, the furthest one away. So in theory if

3 Hanford is open, I guess -- it could be any open one.

4 Barnwell was a conservative pick because it's open,

5 running, large, and quite a ways away. Anything closer

6 obviously would cost a lot.

7 Q Wouldn't that depend on the fees that the

8 facility charged?

9 A Oh, sure. Its facility fee and transportation

10 are two components of that.

11 Q Do you know which compact Utah was in for

12 purposes of low level radioactive waste disposal?

13 A No, I don't.

14 Q Do you know the fees that Hanford charges for

15 low level radioactive waste?

16 A No.

17 Q Do you know the fees that Barnwell charges?

18 A I'd have to look it up. I mean, it's what I

19 used when I calculated it.

20 Q So you have [redacted] in here on the business

21 plan. The last page of that exhibit, page 44, you've got

22 [redacted] for low level radioactive waste disposal.

23 A Uh-huh.

24 Q How did you arrive at that figure?

25 A I just put some in as a conservatism. We don't

1 we're not putting anything on them that's contaminated.

2 Q Are there any -- do you have any provisions in

3 case any of the -- any budget provisions in case some of

4 the pads are contaminated?

5 A We do have.

6 MR. GAUKLER: Objection. That goes to the

7 decommissioning cost issue. I think -- correct me if I'm

8 wrong.

9 Q Well, I think it depends on -- you have said

10 that the disposal of the pads is not a decommissioning

11 issue because it's not something NRC requires, but it

12 isn't operations cost in the sense that the pads may have

13 to be disposed of. So the question is, if the pads have

14 to be disposed of, can they be disposed of as construction

15 debris or would they have to go to a low level radioactive

16 waste facility?

17 MR. GAUKLER: Is that the question?

18 MS. CHANCELLOR: I've forgotten the question.

19 THE WITNESS: She needs a break.

20 Q If you had to dispose of low level radioactive

21 waste from the PFS facility, where would that waste go to?

22 What facility?

23 A At time license applications, basically

24 Barnwell, South Carolina.

25 Q Why wouldn't it be to Hanford?

1 anticipate any. Of course, you've seen that the licensee

2 is responsible for any contamination. They have to pay it

3 above the fees anyway. So it would net out as a

4 flow-through, but I put it in as an expense for

5 conservatism.

6 Q As part of your receipt inspection will you do a

7 wipedown of the casks?

8 A We may. You talking outside of the cask?

9 Q Outside of the casks.

10 A We may, particularly around the openings.

11 Q And would you use rags for that?

12 A Normally those type of smears are done on an

13 absorbent type paper. You cut a piece off and put it in a

14 counter in a health physics lab.

15 Q And would whatever you use and a count showed

16 that it was radioactive, would that need to be disposed of

17 as well as radioactive waste?

18 A It would depend on the level.

19 Q Is it possible that you could generate greater

20 than Class A waste?

21 A I don't see how you could on that. You're

22 talking outside of a cask. It shouldn't generate

23 anything.

24 Q Well, part of overseeing casks being removed

25 from the reactor pool to --

1 MR. GAUKLER: Objection. I don't think he's
2 testified casks being removed from the reactor pool.
3 A You mean the counts.
4 Q You testified that when a cask -- strike that.
5 A canister or a Trans -- a HI-TRAK --
6 A Transfer, yes.
7 Q -- shielding device, can that pick up
8 contamination in the reactor pool?
9 A Our requirements are that they keep them free of
10 contamination, so they would have to put a demineralized
11 water head around them.
12 Q Is that something that your on-site reactor
13 inspector, engineer would verify?
14 A Yeah, they'd be watching it, he or she.
15 Q Would the engineer take any sort of samples, or
16 how would the engineer verify, or would the engineer --
17 strike all that. Would the engineer verify that there was
18 not contamination on the outside of the canister?
19 A The engineer would verify it because the
20 licensee is required to verify it. So the licensee is
21 required to do the sampling, smears, counting. The
22 engineer, the PFS person, would have access to that and
23 watch it. But they wouldn't physically do it because
24 they're not authorized to do that kind of work on a
25 licensee's site.

1 Q Are you aware that there's a generator site
2 access fee for disposal of low level waste, or an annual
3 generator fee for site access to Hanford, for example?
4 A Sure, generally.
5 Q Any idea of the cost?
6 A I don't know the Hanford costs.
7 Q Any idea of the Barnwell costs?
8 A Well, I know they were included in that when I
9 did it, but by memory I can't tell what you they were.
10 Q Are you aware that Barnwell is going to join
11 a -- is going to develop -- strike all that.
12 Are you aware that Barnwell is going to form a
13 compact?
14 MR. GAUKLER: Objection, unclear.
15 Q Are you aware that Barnwell is in the process of
16 restricting the number of generators that can dispose of
17 at Barnwell?
18 A Oh, I've heard some things about it. I don't
19 know any details. It seems to go back and forth quite a
20 bit.
21 Q What do you anticipate to be nonradioactive
22 decontamination funds?
23 A What do I --
24 Q Yeah. What categories of items would fall into
25 nonradioactive decontamination?

1 A Basically that would be any removal of things on
2 site that aren't related to the license or radioactivity,
3 like demolishing a building.
4 Q Demolishing the pads?
5 A They're nonradiological. Sure.
6 Q And what amount have you budgeted for that?
7 A Of course this varies, but of the 12.8, 6.395 --
8 no, wait a minute. I'm sorry. [REDACTED]
9 Q [REDACTED] This is -- what page number is
10 that?
11 A 117 of 117.
12 Q [REDACTED]
13 A No, no. 19 --
14 Q [REDACTED] I wrote that down but didn't say it.
15 Beg your pardon. Would this cost include removing the
16 rail tracks at the site?
17 A No. I just quoted you the --
18 Q You quoted me the --
19 A You asked about storage slab removal.
20 Q Oh, storage slab removal. I beg your pardon. I
21 thought that was the total.
22 A The total in this case for nonradiological is
23 [REDACTED]
24 Q [REDACTED] okay. So where would the storage slab,
25 where would that be disposed of?

1 A Oh, that would be disposed in a local building
2 spoil. Each county in most states license and certify --
3 they don't want it to go to formal landfills because it
4 takes up spaces, and environmentally sealed.
5 Q So it would be construction debris?
6 A It's construction debris.
7 Q What other categories are included in this [REDACTED]
8 [REDACTED] that you budgeted for? And this is an operation
9 cost, correct?
10 A You mean non -- it's under decommissioning but
11 it's not nonradiological, so I don't know what category
12 you would count it in.
13 See, we have storage casks, the overpacks;
14 storage slabs, slabs on which they sit; demolishing the
15 buildings individually; and then water control and
16 transportation fills.
17 Q What's water control?
18 A Oh, any berming you would do for flooding if you
19 for some reason wanted to bulldoze it flat. Just use
20 local soil.
21 Q And what was the last category?
22 A Transportation fills.
23 Q Transportation fills, what's that?
24 A Well, you know, the road's built on a -- the
25 road's level, railroad's level. So you fill in low spots

1 so that it's level. So if you wanted to bulldoze that
2 back, you know, it's just taken from the local area.

3 Q Oh, I see.

4 A Then you would bulldoze it out.

5 Q Do you have any costs in your budget for
6 removing the Low Rail corridor rail tracks?

7 A You talking about pulling the rails?

8 Q Uh-huh.

9 A It's not specifically covered by name in there.
10 Obviously you're -- you would sell the steel for salvage,
11 so it would be pretty close to break even on any of those.

12 Q Break even?

13 A Oh, yeah. That's what railroads pull, the rail.
14 They sell the rail. You pay for pulling it out.

15 Q Okay. In what year's dollars are your budget
16 figures?

17 A They've been in '97 dollars.

18 Q Would you consider all of -- do you understand
19 what I mean by step 6 in the PFS construction --

20 A Operation.

21 Q Yes, operation. Thank you. Would you consider
22 all step 6 to be -- all step 6 costs to be operational
23 costs?

24 A I guess in general. I'd have to look at -- I
25 presume the back end is listed -- in the last few years

1 When you're physically taking it down are probably listed
2 under that where they're separately funded.

3 Q There seems to be a blurry line at times between
4 what is construction and what is operation.

5 A No, not there. Now you're at the back end.
6 You're asking if step 6 is just operational. I'm saying,
7 other than the back end, you're taking things apart, yes.
8 Construction, step 5, if you want to call it that,
9 basically finishes, a new facility goes into operation.

10 Q Would you incur some capital costs during
11 operation?

12 A If we expanded, sure.

13 Q So construction would not be synonymous with
14 capital costs?

15 A You could almost rephrase it: capital costs
16 wouldn't be synonymous with construction. In other words,
17 you could have a construction of a second or a third phase
18 to get up to the 40,000 metric tons.

19 MS. CHANCELLOR: Does anyone mind if we take a
20 break?

21 (Brief Recess.)

22 MR. GAUKLER: I'll state for the record, I
23 object to certain questions on the nonradiological
24 decommissioning process beyond operational costs. I'll
25 make that an objection.

1 MS. CHANCELLOR: It is a facility cost whether
2 it's operational or not. It's a cost that PFS is going to
3 incur, so what we're trying to figure out is what are the
4 total costs.

5 MR. GAUKLER: I'm not instructing him not to
6 answer. It's a basic objection.

7 MS. CHANCELLOR: Okay, noted.

8 Q (BY MS. CHANCELLOR) On Kapitz Exhibit 3, on
9 page 4, I'd like to understand some of the terms in these
10 that head the various columns. On the fourth column, what
11 constitutes operating revenues? What are they? What's
12 those --

13 A You would have to go to the sheet set -- back to
14 the business plan.

15 MS. CHANCELLOR: We weren't missing pages out of
16 the business plan, Paul, they were misnumbered. When they
17 came to us they were misnumbered, so we've got them in
18 order now.

19 MR. GAUKLER: I see.

20 A Basically I'm sure the operating revenue,
21 without trying to go year by year to balance, would be
22 what's shown on the so-called projected operating profit
23 cash flow pages, which are many pages long.

24 Q What page --

25 A I just happened to open to page 12. But, I

1 mean, they start before that because there's only four
2 years apiece, roughly. So they must start back here about
3 page 7. Page 6, start with page 6. Then they go looks
4 like through page 31. And this is the 12.8 case. So the
5 revenues are shown as one-time fees and annual storage
6 fees.

7 Q And operating expenses?

8 A Well, they're the ones that are shown on the
9 same pages under operating costs. And that's the same, I
10 think, as the thing you just gave me to read from, LA
11 Chapter 1, Rev. 6, page 1 to 7, labor op support. The
12 things you've been asking me about.

13 Q Okay. I think that must have been the missing
14 pages.

15 A What they do, basically, this is a year-by-year
16 breakdown, just feeds the totals into that chart.

17 Q With respect to host benefits, on page 37 of
18 Exhibit 3 is a breakdown of host benefits, and there's a
19 total Goshute benefits. Are there any other payments to
20 the Goshutes that aren't accounted for in these host
21 benefit payments?

22 A Well, they of course have a percentage of the
23 profits.

24 Q Okay. Any other contractual obligations to the
25 Band --

1 A No.

2 Q -- that aren't listed here?

3 A Not that I'm aware of.

4 Q And the next item is sales tax payments of 6.125

5 percent. Who are those sales tax payments to?

6 A State of Utah.

7 Q And what -- on what items are those sales taxes

8 based?

9 A We had a local firm look at state law and then

0 tried to reflect it against our budget. If you look at

1 any one of the annual pages, starting with page 7 that I

2 just read from, you'll see that there's a footnote. It

3 says "State of Utah sales tax equivalent," and it has a

4 little plus after it. And then you go back to the expense

5 items, there's a little plus that is applied to that.

6 Q Oh, okay. We saw that on the canisters and

7 couldn't figure out --

8 A It's the presumption that you're building them

9 within Utah and buying everything here.

0 Q And payments to Tooele -- of the third category

1 of items, are they all payments to Tooele County -- fixed

2 fee, canister fee, preoperations and special?

3 A Right.

4 Q Any other obligations to Tooele County?

5 A None that I'm aware of.

1 Q Do any of these costs include costs of law

2 enforcement or medical?

3 A These aren't costs, these are payments to them.

4 Q Any costs to PFS? Any --

5 A You mean are there costs above these? None that

6 I'm aware of.

7 Q Are there obligations that -- no, strike that.

8 Is it correct that there was a 1997 business

9 plan?

0 A Well, there would have been one, yeah.

1 Q Do you anticipate that there will be another

2 business plan after this July '98 business plan?

3 A At some point, sure.

4 Q Any idea when?

5 A I don't know for sure. We'll wait until things

6 are pretty well fixed. Probably sometime around

7 licensing.

8 Q And how does the -- how do the numbers in the

9 19 -- overall, how do the numbers in the 1997 business

0 plan compare with those in the 1998 plan? Are there

1 substantial differences?

2 A Not by memory. The totals are pretty much the

3 same.

4 Q Are the year's dollars, are they both in 1997

5 dollars, the '97 business plan and the '98 business plan?

1 A Yeah.

2 Q Why did you develop a new plan?

3 A Why did I develop -- change of plans as you go

4 forward to reflect costs. So the '98 one of course

5 includes the Holtec memo of understanding or whatever

6 agreement. That is a higher canister pricing. But again,

7 I didn't try to escalate certain dollars and not escalate

8 others.

9 Q So when you say that the 1998 business plan

10 reflects higher --

11 A Canister.

12 Q Thank you. -- higher canister costs, are those

13 canister costs in 1997 dollars?

14 A Well, the letter, I don't have it in front of

15 me, whatever Holtec bid. I would have to look at the date

16 on it. It was some date after the '97 one was done that

17 we got the contract on [REDACTED] So I reflected

18 it in the business plan.

19 Q So if a -- if a person wanted to have an

20 objective look at the business plan, how would that person

21 know what year's dollars the various amounts in the

22 business plan are?

23 A Well, again, dollars aren't that carefully

24 fixed. They obviously vary on everything you spend them

25 on. So a good rule of thumb, as I said, was '97. I did

1 put the Holtec contract in there to reflect it. I'd have

2 to see it. I don't know what the date is. Maybe that was

3 in '98 dollars. That was just part of it. Obviously I

4 didn't go back and deal with the rest, because I'm not

5 concerned. I'm just using '97 dollars.

6 Q How do you determine -- if the business plan is

7 in general in 1997 dollars, how do you determine the cost

8 at the time that that cost is due? So, for example, your

9 labor costs, if your labor costs are in 1997 dollars, how

10 do you determine the labor costs when you initially open

11 the facility?

12 A You obviously re-look at the market at the time

13 that you hire people. That was -- those are very valid

14 costs when we put them in. We'll have an escalator in our

15 service agreement as far as compensation for them, but at

16 the time that you hire people you look at the market that

17 you have. You can't absolutely iron-clad guarantee that

18 years in advance.

19 Q So what sort of escalators would you have on

20 service agreements?

21 A There's a variety of them. Labor is one of

22 them, certainly. There's certain costs and materials,

23 like steel and concrete. There's national indices on

24 those.

25 Q And what indices do you use for labor?

1 A I couldn't tell you by memory. I think it's the
2 Western Urban. Best recollection.

3 Q And what about materials?

4 A I'd have to look it up. I really don't
5 remember. I know there's one on concrete and one on
6 steel. They're national, probably Bureau of Commerce. We
7 had a consultant look at it. I'd have to look at exact
8 terminology to give it to you.

9 Q Will part of your testimony include what
10 escalators you're going to use to reflect actual costs
11 when they are incurred?

12 MR. GAUKLER: If you know.

13 THE WITNESS: I'm sorry -- what?

14 MR. GAUKLER: If you know.

15 A Yeah. Well, I don't know. My testimony, I
16 suppose it could. I don't know.

17 Q To the best of your recollection, what else
18 is -- what other escalators are incurred?

19 A Well, we'll have escalators, NRC costs, which
20 are actual. Those change from year to year. Of course,
21 it's not something we control. And as I mentioned before,
22 rail is actual. You have no control over the railroads.
23 So it's pretty much things like that.

24 Q So do the escalators apply to the base payments
25 or to the annual --

1 to store their fuel in reused overpacks?

2 A Yes.

3 Q And that would be a cost savings to PFS; is that
4 correct?

5 A Correct. Doesn't affect revenue, it just
6 affects costs.

7 Q Do you have any commitments from customers that
8 they will assign their fuel priority at Yucca Mountain to
9 fuel at PFS?

10 MR. GAUKLER: Object, beyond the scope.

11 MS. CHANCELLOR: It reflects cost savings --
12 (Off the record briefly.)

13 MR. GAUKLER: I objected, beyond the scope.

14 MS. CHANCELLOR: And I replied that it affects
15 costs because it depends on whether PFS can reuse the
16 overpacks.

17 MR. GAUKLER: And you may answer if you can.

18 Q (BY MS. CHANCELLOR) Do you remember the
19 question?

20 A I don't know what fuel priority at Yucca
21 Mountain. Are you talking proposed queues? Remember
22 there is no formal queue at this point. They had proposed
23 a queue of certain age fuel, so much per year. Is that
24 what you're talking about?

25 Q In your business plan you have a throughput, so

1 A Both.

2 Q So currently it's [redacted] the annual storage fee
3 per kilogram?

4 A Uh-huh, in '97 dollars.

5 Q '97 dollars. Is there any guarantee to
6 customers that that price will remain firm subject to,
7 say, the Consumer Price Index?

8 A No.

9 Q If you know, what escalators would apply to the
10 [redacted]?

11 A Well, some of those I've listed, if you think --
12 the [redacted] of course, will include very little use of
13 materials. Obviously the concrete and steel wouldn't be
14 used in that, it would be principally the labor.
15 Certainly the NRC fees, insurance premiums, things like
16 that that are not within our control. So some of them are
17 listed as escalating and actual as opposed to some sort of
18 indice (sic).

19 Q On page 2 of the excerpt of the business plan
20 that you had -- let me -- actually, it's page 3. I beg
21 your pardon. Top item. Once shipments to DOE -- "Once
22 shipments to DOE exceed shipments into the facility,
23 overpacks are reused."

24 A Uh-huh.

25 Q Do you anticipate that customers will be willing

1 in certain years, depending on the MTU for the facility,
2 you have shipments out to Yucca Mountain.

3 A Right.

4 Q So my question is, have customers, PFS customers
5 assigned to PFS any priority they may have for shipping
6 fuel to Yucca Mountain? Have they assigned a priority to
7 fuel that is at PFS or the fuel that may still be at their
8 reactor site?

9 A No, because remember the fuel at our site is
10 theirs, so of course they have total control over what to
11 ship first. PFS has no involvement in that other than
12 getting the shipping prepared. So it isn't assignable to
13 us, because we don't own the fuel. In other words, it
14 stays with the utility.

15 Q How did PFS determine, then, under the various
16 scenarios, the three scenarios, the quantity of fuel that
17 would be shipped out from PFS to Yucca Mountain if the
18 utilities have total control over when the fuel leaves?

19 A It's a base estimate from talking with vendors,
20 understanding what the limitations are for intake at Yucca
21 Mountain. There have been various scenarios proposed
22 there. They're all over. So you can see that -- you were
23 referencing page 4. The earlier column is MTU's in and
24 out.

25 Q Right.

A You can see that the MTUs in were the surveys we talked about, in. The MTUs out, because they're out there a ways, were just estimated amounts per year that might be accepted into Yucca Mountain from those who are using her facility. So it isn't, disassembly has a certain priority, therefore, we're going that year. It's just an estimate because Yucca Mountain is obviously only in kind of the estimating stage, when they're going to start and how much they're going to take per year.

Q Potentially is it possible that you could have 4,000 casks stored out there at PFS?

A You mean could we get to a full facility? Yeah.

Q Is it true that none of the scenarios in the business plan anticipate 4,000 casks being on site at any one time?

A I wouldn't say that's true. I think the -- if you go to the 40K case and you go to the same page --

Q 40K, 40 years?

A No, 40K MTU. Remember you mentioned the three cases. Oh, it's a 40-year site, yeah. You asked if any of them contemplate 4,000 casks; and if you look at page 4 of 18, on that one, which is the same one used on the earlier case that you handed us, yeah, you can see that it does. It contemplates for a single year it would reach 4,000.

1 Q [REDACTED]

2 [REDACTED]

3 A [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 Q [REDACTED]

12 [REDACTED]

13 A [REDACTED]

14 [REDACTED]

15 Q [REDACTED]

16 A [REDACTED]

17 [REDACTED]

18 Q Then you said that maybe you could use the site. Would that require BIA approval?

19 A I couldn't tell you. We just have a lease, so obviously we can't cover the land. Would just be the site, the facilities themselves for the stated purpose.

20 Q The structures on the site?

21 A Uh-huh, and the revenue they generate.

22 Q But you wouldn't have any prior to construction,

1 Q Okay, I stand corrected. On page 42 of Exhibit 3, it shows facility construction financing.

2 A Uh-huh.

3 Q And it shows zero.

4 A Right.

5 Q Do you have any projections at all of the costs that PFS would incur if it used debt financing?

6 A It won't incur any costs, because if we used debt financing, that would be the presumption that some of these customers who are supposed to pay the [REDACTED] for KG to build it chose not to and chose to have us finance it for them. So any interest would be assigned right back to them. They'll have to pay it.

7 So how they get the money to us doesn't show debt financing, because they're giving us the [REDACTED]. But if they would choose an option where they wouldn't, some of the customers would say, well, we don't want to make that first payment, we want you to finance it. Then should we proceed with that? That will be assigned back customer by customer to the customers. So they'll have to pay the interest and the principal. It won't be spread upon those who pay the [REDACTED] up front.

8 Q And how would you secure financing -- this would just be for construction?

9 A Yeah.

1 correct?

2 A No, any more than you wouldn't have a house unless you do a mortgage.

3 Q What interest rate would you expect you'd have to pay if you used debt financing?

4 A I couldn't tell you at this point. (Exhibit 8 marked for identification.)

5 Q This comes from the business plan, the 1998 business plan on page 32. It says "debt service interest rate," [REDACTED] percent.

6 A Uh-huh.

7 Q How did you determine -- how did you arrive at that percentage?

8 A Well, if you look back at the page you referred me to in, I think it's Exhibit 3, page 42, you'll notice that's what's typed at the top of that as well. Just doesn't show utilization of it. We did at one point look at debt market some years back; and we had a Wall Street consultant that worked with us. He said he felt it -- relatively assured of getting [REDACTED] percent debt if we chose to go into debt. But again, most of the utilities, if you're familiar with them, can do better than that. I doubt they'd choose to have us finance their [REDACTED] contribution. In other words, they can do better than this as a utility.

1 Q So is it possible that you would have a mix,
2 that some customers would choose to pay the --

3 A Yeah.

4 Q -- and other customers would choose to have the
5 financed through some sort of financing arrangement?

6 A Yes.

7 Q And therefore, the cost to one customer who paid
8 their may be different than the cost to the customer
9 who chose the debt financing route, correct?

10 A Yeah. The cost to the customer who paid the
11 would be the The cost to the other customers would
12 be plus whatever interest we'd incurred for their
13 portion of it.

14 Q And what you're saying is that the interest
15 payment, principal and interest payment was a cost or
16 expense to the customer?

17 A Correct.

18 Q And the service agreements will reflect that?

19 A Yeah.

20 Q I don't know whether the following costs would
21 be considered operational or construction costs, but I
22 have some questions about some various costs. Is there an
23 annual -- is there an annual payment or payments to the
24 BLM for the right-of-way for the use of the Low Rail
25 corridor and for the intermodal transfer facility?

1 Q Are you also aware that BLM has a policy of not
2 allowing hazardous materials on public land?

3 A I'm not aware of them.

4 Q Do you anticipate any bonding costs to BLM for
5 transportation of spent nuclear fuel on public lands
6 across public lands?

7 A I can't answer that one. I'm sure some of the
8 existing railroad right-of-ways run across it, so would
9 probably be used both directions, on our own and others.

10 Q But you haven't budgeted for any anticipated
11 costs that BLM may --

12 A Not specifically. Go against transportation
13 costs if they did.

14 Q Are there any bonding costs to the BIA or the
15 Band for use of the Skull Valley site?

16 A There are none specified. They do a prudence
17 check of the different coverages we have, and they can
18 request some if they feel they're needed. But of course
19 we've already specified workers' comp will be provided for
20 staff, that other insurances will be provided. So I don't
21 specifically contemplate any. I mean, they have the right
22 if they feel you don't have coverage to pass a bond and
23 certain things.

24 Q So there's nothing in the budget to --

25 A No.

1 A There's an estimate of annual costs -- you're
2 talking the lease fee for leased land?

3 Q Whatever terminology you would want to use, is
4 there some sort of annual charge that BLM will impose on
5 PFS if it grants PFS the right of way across a public
6 land?

7 A Yes, they could determine such a charge. It's
8 part of the lease in process. And that would be something
9 they would basically specify at the time they completed
10 the lease.

11 Q And have you budgeted for annual payments to
12 BLM?

13 A [REDACTED]

14 [REDACTED] You know, we have an idea
15 what they are currently charging for the same amount of
16 land. It's not particularly a large amount of money.

17 Q Would you anticipate that BLM would charge the
18 same to PFS as it would to people who have grazing
19 allotments?

20 A I think their policy is, you know, they
21 basically have a use charge for the land, and I don't know
22 that they differentiate heavily on how you use it. That's
23 up to BLM.

1 Q Okay. Any property tax payments to the
2 Goshutes?

3 A You've seen basically the payments to the
4 Goshutes. They were on the page.

5 Q Okay. So if there were any property taxes due,
6 it would be rolled into those host payments?

7 A Uh-huh. They can choose to call them whatever
8 they wish.

9 Q Right. I wasn't trying to put a label on them.
10 Premiums and fees for the \$1.6 million letter of credit,
11 is that reflected in the budget?

12 A Yeah. They were, as you're aware of, relatively
13 small. That was counted as just a general operational
14 cost. Remember that's self-retiring as you go along,
15 so --

16 Q Does the operation portion of the budget account
17 for operating both the Low Rail corridor and the
18 intermodal transfer facility?

19 A You mean simultaneous operation?

20 Q Uh-huh.

21 A No, wouldn't be running simultaneously. You'd
22 be building one or the other. And in construction we
23 hit-pick the more expensive one. The rail line is the one
24 that we would fund to build. So the same is true with
25 operation officer, you'd only operate one.

Q So if you proceeded forward with your option to build the rail spur, would that mean that the intermodal transfer facility option would -- you wouldn't exercise that option?

A We wouldn't plan on constructing both.

Q So in other words, if you go forward with the rail spur, you wouldn't use the intermodal transfer facility?

A You know, assuming the rail spur were built and operational, no, we wouldn't use.

Q Shipments wouldn't be such that you would need to operate both?

A No. There would be no technical reason why you'd need both.

Q In terms of transportation costs, is there going to be -- would you use a Union Pacific or railroad crew for the -- to get the fuel from the reactor to PFS?

A You can use either.

Q Either being --

A PFS employees who have certification to operate a locomotive, or Union Pacific staff.

Q And what costs do your budget reflect? Costs of UP main line crew or costs of PFS train crew?

MR. GAUKLER: Objection. Vague as to what costs you're referring to.

1 track if they chose to bring it down to the site.

2 Q Thank you. Security crew for transportation,
3 would that be PFS employees?

4 A They would be hired [REDACTED]

5 [REDACTED] They'd have to be full-time employees.

6 There's too many requirements so far as the carrying of
7 firearms, so that would be something that would be hired
8 through a contract guard force. They would not be
9 commingled with site guards. Two separate approaches.

10 Q Have you budgeted for any bonding requirements
11 that the State of Utah may have?

12 A Not specifically that I'm aware of.

13 Q Sorry. I need to look through these documents
14 for one second.

15 [REDACTED]

16 [REDACTED]

17 A [REDACTED]

18 Q [REDACTED]

19 [REDACTED]

Q The cost of hiring a railroad crew. Or is that included in just the railroad's general charges?

A If you're using Union Pacific, of course it's included in the general charges. That's transportation to site. If you're assigning a staff employees, that's in the basic labor budget for the site. Because we did mention license application, we'd have some person serve, hired as locomotive operators.

Q Would they just be doing the whole -- on the Low Rail Spur or would they also be main line as well?

A No. Can't be, because you have to be certified for trackage. So they would only be low down to the site if we used them, I think.

Q Sorry?

A Our staff employees couldn't operate a train on the Burlington Northern. There's a national locomotive operators license to operate a common carrier, which you can only use it on the common carrier on which you're specifically trained. So there's a sign-off by basically a federal inspector. So if you're going to run from Omaha, Nebraska to Chicago, you have to have the license and you have to have the sign-off on a piece of track, both. So our people would not go beyond low.

Q Okay, got it.

A UP people would have to be signed off on our

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 Q [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 Q And what provisions would you have for defaulting customers if a customer defaulted on their payments?

15 MR. GAUKLER: Objection, beyond the scope. Goes to the whole thing we've been talking about the defaults, et cetera, as part of the issues resolved by the board on summary disposition.

16 MS. CHANCELLOR: To the extent that PFS has to incur costs and can't pass through costs to its customers, then I think it's relevant to know whether the fuel, whether there's some mechanism to get the fuel out of there if the customer defaults, and that's the purpose of

1 This particular question.

2 MR. GAUKLER: Say that again.

3 MS. CHANCELLOR: See if I can say it again. [To

4 the extent that PFS is relying on pass-through costs as

5 well as annual payments to cover the costs of storing the

6 fuel on site, if PFS does not receive those payments from

7 a customer who defaults, then PFS is going to incur some

8 costs of keeping the fuel on site if it can't get the fuel

9 out of PFS because the customer hasn't paid. So

10 therefore, if there aren't default provisions, are there

11 costs that PFS would incur for storing the fuel on site

12 because it isn't getting those payments from the customer.]

13 MR. GAUKLER: I'm instructing him not to answer.

14 I think it's beyond the scope of what his deposition is

15 about. We've already talked about default. That was part

16 of the summary disposition, resolved by the board on

17 summary disposition. We talked about creditworthiness in

18 the summary disposition motion in terms of general steps

19 we would take towards creditworthiness to protect against

20 defaults, and the board ruled that that commitments in

21 terms of the types of provisions in the contract would be

22 sufficient to cover that to protect the PFS. So it goes

23 to the funding issue that the board has ruled on. I'll

24 instruct him not to answer.

25 MS. CHANCELLOR: I'm asking whether there are

1 shortfallen revenue.

2 A You're saying do we have a budget item for

3 interest on borrowing money somewhere to make up non-made

4 payments?

5 Q Yes.

6 A No. We do have a contingency line, but no, we

7 don't have a budget line for interest for nonpayments. We

8 have a recourse to get the payments from people.

9 Q We do?

10 A Yes. That's what we were talking about. The

11 whole issue that went to the board. The entire issue that

12 went to the board was the recourse to get revenue.

13 Q What's your recourse to get revenue?

14 MR. GAUKLER: Those are the provisions that we

15 cited in our motion for summary disposition.

16 MS. CHANCELLOR: That's not a recourse, that's a

17 preparatory step.

18 Q (BY MS. CHANCELLOR) Is that what you mean? I

19 mean, you mentioned checking creditworthiness before the

20 fuel arrives on site, but I'm talking about once the

21 fuel's on site and there's the inability to obtain revenue

22 to pay, and you're saying there's no ongoing operation

23 costs but there would be a cost of getting the casks out

24 of PFS.

25 A You mean if it were transferred off site?

1 any dollar amounts in the budget to account for fuel --

2 for payments that PFS does not receive that were from a

3 customer and that PFS would have to pay.

4 MR. GAUKLER: I'll allow that limited question.

5 THE WITNESS: I don't even know what you're

6 asking.

7 MR. GAUKLER: All that work for nothing.

8 MS. CHANCELLOR: See the box you put me in,

9 Paul.

10 Q (BY MS. CHANCELLOR) Are there any contingency

11 budgetary measures for either late payments or failure to

12 pay, for a customer to pay, where PFS would have to make

13 ongoing payments, commitments? Is there anything in the

14 budget to cover unanticipated shortfallen revenue?

15 A Basically, if you've looked at it you realize

16 the costs are the same. So there are no costs.

17 Q Sorry. Say that again?

18 A The costs are the same. So the fact that

19 someone's fuel is sitting there and they don't pay doesn't

20 have any impact on your costs at all. You realize that.

21 I mean, it's the same amount of staff, it's the same

22 everything. So there's no impact on costs. You're really

23 talking about revenue.

24 Q Well, there's an effect on cost if you've got to

25 go someplace else to find money to make up for the

1 Q Yes, if the customer failed to pay for the cost

2 of transporting the cask off site.

3 A The customer has to pay for any transportation

4 costs.

5 Q Is that a direct cost to the customer, or is

6 that part --

7 A No.

8 Q -- of the [redacted]?

9 A If it were shipped off. Because the entire

10 budget, as you can see, contemplates that DOE ships it

11 off. There are no costs for shipping it off other than

12 labor to prepare for shipping. So if a customer ended up

13 taking it back for some reason, that would be the

14 customer's cost because DOE won't pay that. DOE will only

15 pay to take it.

16 Q Okay. I'll leave you alone.

17 Okay. I'd like you to look at -- this will

18 be --

19 (Exhibit 9 marked for identification.)

20 This is page 54 of the business plan.

21 A Is this a separate exhibit?

22 Q Yes, this is a separate exhibit. I'd like you

23 to look at two items towards the end of page 54, "Breached

24 canister overpacks (2 PFS)." What are these?

25 A Breached canister overpacks are simply a

canister in which you would place a canister if you had any integrity questions about it that you would place it in for an additional containment.

Q And how would you load the suspect canister into the breached canister?

A Just lift it in with a crane.

Q Canister to canister?

A No, it's canister to canister because you have -- these are just a slightly larger canister that would still fit in the cask. So if have you any integrity questions, rather than handling the fuel you can basically put the whole canister in question with its fuel in a new canister that you don't have any questions about, seal it in.

Q And would the breached canister -- would the HI-TRAK transfer cask fit over the breached canister?

A Yeah.

Q And would it make any difference whether the suspect canister was in a transportation cask or a storage cask?

A No, because you would -- of course you would receive it on site, and you wouldn't have any questions about its integrity until you took it out of the transportation cask. So if for any reason, we're not contemplating this, but for any reason you had a question,

you have a fallback situation where you can simply put the canister inside this canister overpack, and then you could use it on site for moving it around still in the HI-TRAK, or you could put it in -- would put it in a HI-STAR -- HI-STORM storage canister. So the suspect canister, if you ever had one, wouldn't itself be placed bare into a HI-STORM, it would be inside of a canister that wasn't suspect that would go around it.

Q And is this breached canister manufactured by Holtec?

A It could be.

Q Does it need a separate certificate of compliance?

A No. It's just used in this setting.

Q So you couldn't ship the breached canister over the suspect canister in a HI-STAR transportation cask?

A You mean if you were to ship it off site?

Q Yes.

A Then you would have to get a state permit to do that.

Q So the breached canister is for on-site use?

A That's its intent.

Q And the next item is a "Dry transfer system (1 PFS, 1 Rx)."

A There's two of them, yeah.

Q Rx, would that be at the reactor?

A Well, one would be at a reactor at any given time, and we have a backup so that if we ever had two plants that were in any way simultaneously loading or with shipping schedules in effect wrongfully simultaneously loading, we'd have a second one that we could dispatch. Normally be kept at the site. Wouldn't have to be.

So we contemplate one being shipped from reactor to reactor. Reactors with crane limits were chosen this way to load one of them, so the one out there all the time might never come back to PFS over the years.

We'd also have a second one then, just as an insurance policy. If you ever got a conflict in the schedule and you had two reactors coming up, that one might be shipped out to the second one trying to load so that they didn't have to wait until the principal one going around to get to them. It may never get used. It's just an insurance that you won't restrict fuel handling.

Q Do you anticipate that you'd ever use the dry transfer system on site at PFS?

A I can't imagine why we would. I mean, there's no reason I suppose in theory why you couldn't, but we don't anticipate it.

Q

[REDACTED]

1 [REDACTED]
 2 A [REDACTED]
 3 [REDACTED]
 4 [REDACTED]
 5 [REDACTED]
 6 Q [REDACTED]
 7 [REDACTED]
 8 [REDACTED]
 9 A [REDACTED]
 10 [REDACTED]
 11 Q [REDACTED]
 12 [REDACTED]
 13 [REDACTED]
 14 [REDACTED]
 15 a [REDACTED]
 16 [REDACTED]
 17 Q [REDACTED]
 18 [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 A [REDACTED]
 22 Q [REDACTED]
 23 A [REDACTED]
 24 Q [REDACTED]
 25 A Just taking that '98 business plan. It's the

1 Q Yeah, just sort of general categories.
 2 MR. GAUKLER: It's irrelevant since it's
 3 prelicensing.
 4 MS. CHANCELLOR: Well, we don't know if it's
 5 prelicensing if we have no idea what it relates to.
 6 A I just told you it was prelicensing. It's a
 7 prelicensing budget.
 8 Q Okay. Would PFS have to pay for a crane or any
 9 other equipment at the reactor site other than this -- the
 10 two options that we talked about, you know, in the pool,
 11 HI-TRAK or the dry transfer cask? Are there other costs
 12 that PFS --
 13 A No. I mean, it's showing that we provide
 14 welding equipment, but we don't do the welding.
 15 Q And the welding equipment is in the budget?
 16 A It's in the construction budget somewhere, or
 17 miscellaneous equipment.
 18 Q Somewhere I've read where you're got to have a
 19 cask -- pay for a cask hauler. Do you know what that is?
 20 A Cask hauler takes the cask, once it's been
 21 lowered into the storage overpack, the HI-STORM, and moves
 22 it out and sets it down on the slabs, and then pick it up,
 23 you know, bring it back when it's ready to be shipped.
 24 Q So this is at the PFS site, the cask hauler?
 25 A Yes.

1 only one I know of.
 2 (Exhibit 10 marked for identification.)
 3 Q This is a Budget and Expenditures Total Project,
 4 November 30th, 1998. Have you seen this document before?
 5 A Uh-huh.
 6 Q Okay. If you'd turn to the third page where
 7 it's got "redacted" in the middle.
 8 A Uh-huh.
 9 Q There's a total for public information and
 10 stakeholder involvement. And this is, as I said, this was
 11 as of November. So year to date was [REDACTED] in round
 12 numbers. Is this public information, stakeholder
 13 involvement, is this typical of the amount that you
 14 contemplate as an annual expense that would carry through
 15 the project?
 16 A No.
 17 Q For what period of time would you anticipate
 18 that this information -- that this amount would last,
 19 would cover?
 20 A It's pretty much prelicensing.
 21 Q Prelicensing?
 22 A Uh-huh.
 23 Q And what does it entail?
 24 A What does what entail? You mean what's been
 25 redacted out?

1 Q And how many? One of those?
 2 A I think we have in the budget for two, but
 3 probably only need one.
 4 MS. CHANCELLOR: I still have one more series of
 5 questions before Connie takes over.
 6 MR. GAUKLER: Does Connie have a whole new area,
 7 or what?
 8 MS. CHANCELLOR: Yes.
 9 (Discussion off the record.)
 10 Q (BY MS. CHANCELLOR) If you could look at
 11 Exhibit 4 from Mr. Kapitz' deposition. Have you seen this
 12 letter that I've just handed you dated April the 30th from
 13 PFS?
 14 A Uh-huh.
 15 Q Okay. The first indented paragraph states what
 16 the service agreements plan to include.
 17 A Right.
 18 Q And I'd like to know what you consider to be
 19 operations costs versus construction costs so that we're
 20 not -- so we can try to figure out where the numbers
 21 should be placed.
 22 A Well, the first one is obviously O&M. It's
 23 annual storage. That doesn't really show a cost, it just
 24 shows a fee being paid.
 25 Q Is that the [REDACTED] fee?

A Yeah.

Q The currently [redacted] fee?

A And the second item talks about a piece of hardware that we've chosen to buy on an annual basis, so you show it as an operating cost because you're not buying them all up front. Most places obviously would see it as a capital expense, but it's a capital expense being made each year as they're used. So that you would show under the O&M budget because the one you've got shows it. It's about -- the items 2 and 3 in here are roughly half our expenditure. Item 3 is an overpack, which is the HI-STORM. That's shown in the operating budget.

Q Okay.

A Item 4 is the transfer cask that's shown in the construction budget, because we buy it once before we start up and we let licensees use it.

Q Is that the HI-TRAK?

A Called the HI-TRAK.

Q Okay.

A The next item is the dry transfer, and that's treated the same as that HI-TRAK. Bought as part of construction, and then it's used by different utilities.

1 anticipate?

2 A None. And that's why that was -- this went to
3 the chief executive office of utilities, just to make it
4 very clear that you're not handling fuel. So literally,
5 sealed canisters, only the amount of fuel at your site.
6 We don't want any involvement with them with fuel.

7 Q And then the third item, any licensee canister
8 loading expenses, training provided by PFS. What does the
9 training entail? We went over that a little bit.

10 A Oh, basically you'll have the person who's on
11 site, and certainly ahead of time we'll be passing on
12 procedures from the vendors that they will have to adapt
13 for their site. We will be passing on videotapes showing
14 some of the first loadings, basically give them to them so
15 that they can actually physically see the same equipment
16 being used by people not at their site, but it's a generic
17 so that -- you know, there's some pretty good tools
18 available now that there didn't used to be. That's the
19 sorts of things we're talking about.

20 Q Is there much fuel loading from pools into dry
21 casks? Strike that. Are a number of reactors loading
22 their fuel from pool storage into dry cask storage?

23 A Yeah, there are quite a few that actually use
24 dry casks. There are two of them that will be loading to
25 the MPC canisters as opposed to the casks. And they're

1 Q Is that operations or construction?

2 A That's operations.

3 Q But doesn't that come out of the third base
4 payment?

5 A Which is operations. See, you're getting --
6 it's called the one time only fee, which included those
7 three base payments, and the annual fee. The one time
8 only fee, only the first payment is construction.

9 Q That's right.

0 A The second and third payments are what we're
1 calling operating. So that would come out third payment.

2 The next one is decommissioning. That's treated
3 as operations. It's collected on the third base.

4 The last one is obviously in our labor budget,
5 and that's operating and maintenance. That's simply
6 taking the crawler you talked about, the hauler, bringing
7 it back, taking it out of its storage overpack, putting it
8 back in the metal cask and saying, here it is, DOE, and
9 they take it at the gate.

0 So that's where those items would come in, if
1 you're trying to divide them between construction.

2 Q That's helpful. Then it's got here in the next
3 indented paragraph as to what is not included. Any
4 on-site Utah fuel handling, sealed canisters only are
5 accepted. What on-site Utah fuel handling did you

1 both scheduled for the next two months. One is Dresnan
2 and one is Hatch.

3 Q Now, when you say MPC, that's multiple --

4 A Now we're back to canisters. You were asking me
5 questions about what I did at LaCrosse and Point Beach.
6 We were loading casks in those days; now you load the
7 canister. Canisters go inside the casks, so the casks are
8 no longer used for fuel shipping like they used to be.
9 They're putting them in the cask or that -- MPC is a
10 federal term, Multiple Purpose Canister. In fact, it's
11 shipping, it's storage. Frankly, no reason why it can't
12 be a long-term burial; be economic. Cut out the fuel
13 header, do it once.

14 Q So in the Holtec terminology, would the MPC be
15 the canister itself?

16 A That's the canister.

17 Q Okay. So Dresden and Hatch are loading the fuel
18 rods into canisters?

19 A The Holtec canisters.

20 Q The Holtec canisters, okay.

21 A Supposed to be one in June and one in July, I
22 think.

23 Q And you'll be videotaping that?

24 A The Hatch one, Southern Nuclear. They're a
25 member of the utility. They've agreed to videotape it and

1 give us these tapes. Some years from now I'll have it
 2 available for training.
 3 Q So there won't be -- is it correct to say that
 4 there won't be any PFS personnel on site actually
 5 providing educational training to the reactor personnel?
 6 A You mean in the future?
 7 Q Yeah.
 8 A It's possible. Not specifically.
 9 Q So any shipment casks to a rail line --
 10 A [REDACTED] So that
 11 would take a unique agreement. The standard agreement
 12 obviously contemplates the rail goes into your plant, but
 13 as you've pointed out, some of the plants don't have rail
 14 lines. [REDACTED]
 15 [REDACTED]
 16 [REDACTED]
 17 Q Okay. So the agreement, sort of the standard
 18 terms, if you will, of the agreement contemplates direct
 19 rail access from the --
 20 A At the reactor site.
 21 Q At the reactor site?
 22 A If it doesn't, then we're certainly available to
 23 help them coordinate getting it to a rail head. But
 24 again, at their cost, not ours.
 25 Q And if a reactor couldn't get out of its reactor

1 A Uh-huh.
 2 Q So my question is -- have you had enough time to
 3 look at it?
 4 A Uh-huh.
 5 Q "Small non-transportable MESC (for truck
 6 sites)." That's got 7 FWR or 17 EWR. Would this size
 7 unit be able to be shipped to PFS?
 8 A No. See, their reference there talks about
 9 non-transportable, which means you couldn't go off the
 10 licensee's site, whatever it is they're contemplating
 11 here.
 12 Q But the MPC system, 125 ton --
 13 A And 75 ton is where they were talking about two
 14 casks with presumably two different canister sizes. And
 15 then the third one again is something that's not
 16 transportable.
 17 Q So under these MPC systems, would it just be the
 18 first 125-ton MPC that --
 19 A No. We contemplated both the 125 and the 75; as
 20 a company decision decided to go only with the 125 and
 21 with dry transfer, because the 75 ton is still too big for
 22 a lot of plants. That was the methodology here was that
 23 these are both rail systems because of their weight.
 24 DOE contemplated you'd be able to add a lot of
 25 plants to the spectrum if you already had a 75-ton fuel

1 site a 120-ton or whatever it is Holtec transportation
 2 cask and had to load into smaller --
 3 A Then they can't ship fuel to us.
 4 Q Okay. DOE refers to a term "MESC." Are you
 5 familiar with that?
 6 A What? M --
 7 Q I've got it here.
 8 A No, I don't know that I've ever heard that.
 9 Now, remember, just not to confuse, DOE's Yucca Mountain
 10 does not contemplate only using MPC's. Just so that --
 11 Q Multiple element sealed canisters.
 12 A I don't know what they're talking about. DOE's
 13 plan calls for both rail and truck shipment. Perhaps
 14 that's a term they've applied to their truck shipments. I
 15 don't know. But we're only using rail shipping and big
 16 casks here.
 17 Q Let me give you this as an exhibit.
 18 (Exhibit 11 marked for identification.)
 19 The cover page shows that it's a document from
 20 Department of Energy, and then there's -- under reference
 21 scenario the term "MESC" is defined as multiple element
 22 sealed canisters. And then if you go over to page 2-4,
 23 they talk about cask capacity. "The following cask
 24 capacities were used for the reference scenario and MPC
 25 system."

1 assembly. The problem is you don't have all of them, of
 2 course, because there are a lot of cranes that can't
 3 handle them too.
 4 So when we looked at our system and our system
 5 design and how much we could store at site, we opted to
 6 use only the 125 ton and load them with dry transfer in
 7 any plant that couldn't load them. So we only have one
 8 system coming on site, which means that the pads all have
 9 the same configuration. It takes the minimum area to
 10 store it.
 11 Q So this 125 ton could either be for a dry
 12 transfer system or the HI-TRAK and the pool option?
 13 A Right, at the reactor.
 14 Q Okay, got it. And if the 125 ton had to --
 15 could not get out of there by rail and had to go by truck
 16 to the nearest railhead --
 17 A You'd have a lot of analysis of road loadings,
 18 bridge loadings. Utilities are faced with, oh,
 19 replacement generator components for the electrical
 20 generator and probably even steam generators in some case.
 21 And should the utility ever opt to do that, then you'd
 22 have interesting costs in there because you have to work
 23 with your highway department. Bridges have to be
 24 upgraded.
 25 So that becomes the shipper's cost. They're all

1 pretty much in waterways that don't have rails, so I
2 imagine most of them will barge it to a railhead. That's
3 their cost. That will be the preferred method.

4 Q Would Oyster Creek be an example of that?

5 A Yeah, they're an example. They have rail, but
6 they allow the rail to be pulled, if you would, for about
7 a 15-mile stretch, probably.

8 Q [REDACTED]
9 [REDACTED]
10 [REDACTED]

11 A [REDACTED]
12 Q [REDACTED]
13 [REDACTED]
14 [REDACTED]

15 A [REDACTED]

16 The requirement we have is that it
17 leaves the license site in the 125-ton MPC. The shipping
18 package stays intact, so that it has to be in what's
19 called the HI-STAR --

20 (Off the record briefly.)

21 A -- when it leaves your license site.

22 Q So the HI-STAR with the impact limit, that's
23 what has to leave the site?

24 A It has to be the shipping package intact, so
25 there's no fuel handling maneuvering anywhere. You pick

1 an entire shipping package off a barge, set it on a rail
2 car. You don't take pieces of it; you don't make it
3 vulnerable to a nontransportation type event.

4 Q [REDACTED]
5 [REDACTED]
6 [REDACTED]

7 A [REDACTED]
8 Q [REDACTED]
9 [REDACTED]
10 A [REDACTED]

11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]

22 Q [REDACTED]
23 A [REDACTED]

24 Q [REDACTED]
25 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]

4 A [REDACTED]
5 [REDACTED]
6 [REDACTED]

7 (Discussion off the record.)
8 (Lunch Recess.)

9 EXAMINATION

10 BY MS. NAKAHARA:

11 Q Mr. Parkyn, in your commitment, in PFS's
12 commitment to the NRC not to construct prior to sufficient
13 funding, you've identified -- is it correct that you
14 identified the initial capacity as [REDACTED] U's?

15 A No, we identified an amount necessary to build
16 an initial capacity of [REDACTED] MTU's.

17 Q Okay. And then is it true that the license
18 application states that construction will occur in three
19 phases?

20 A I guess my best recollection, it lists the
21 possibility of three phases, yes. That would be the
22 upsizing to 40,000.

23 Q And did the license application indicate the
24 amount of spent nuclear fuel that would be constructed in
25 each phase? Let me strike that.

1 Did the license application specify the capacity
2 that would be constructed to store spent nuclear fuel in
3 each phase?

4 A I honestly -- I don't remember if it -- I
5 remember, you know, the first increment and then I
6 remember the final endorsed to 40. It might well have. I
7 just don't remember that number.

8 Q Okay. In the best of your recollection, in the
9 July 21st, 1998 response to NRC on requests for additional
10 information, number one question, 1-3, did that RAI
11 response specify that for a 15,000 MTU facility,
12 construction would be conducted in two phases?

13 A If I could see it. You know, I don't know by
14 memory. You're saying instead it would be in two phases?
15 (Exhibit 12 marked for identification.)

16 Q Just for the record -- while you're reading,
17 just for the record, Exhibit 12 is a PFS response to an
18 RAI No. 1 question 1-3.

19 A See, it says -- it does imply three phases. The
20 third paragraph says licensed capacity -- "The required
21 additional capacity will be constructed in as many as two
22 additional phases." It's still three phases.

23 Q Okay. The second paragraph, if you look at the
24 second sentence, it says, "For the nominal capacity case,
25 the facility is planned to be constructed in two phases."

1 A Yeah, but that doesn't get you to 40. In other
2 words, that's just simply breaking down the first portion
3 of it; so it talks about the first phase being roughly a
4 third, and then another element, and then if you go to 40,
5 a later one. So it's basically always been indicated in
6 three phases rather than of two. Just kind of the way
7 they worded that.

8 Q Just to clarify, then. In the first paragraph
9 where it says PFS has two design capacity cases --

10 A Okay. That's the 40,000 case final, and the
11 nominal one or the number only one of the ones we're
12 talking about is 12.8 here. Those are the two cases.
13 That's different from the phases of constructing.

14 Q Okay. So if you design -- or if you only
15 operate the nominal capacity case, that one will also be
16 constructed in three phases?

17 A No. The nominal one basically would be in
18 either one or two phases. If you're actually going to 40
19 in everything you said, that's three phases.

20 Q Okay.

21 A So you have the option and the nominal. As it's
22 referenced here, you might do approximately -- first phase
23 approximately one third of the licensed capacity. A small
24 amount of additional capacity will be added in later
25 construction to complete the necessary design capacity for

1 specific quantity -- a specific amount of spent fuel
2 capacity per phase?

3 A Not that I'm aware of, no. I mean, if the
4 license tells you what the maximum can be at the end, and
5 this commitment is basically that to start to do any
6 construction you'd have to have an amount equal to what it
7 would take to store ~~metric tons~~ metric tons. So in a sense you
8 have a minimum amount or money specified, amount of
9 minimum size, and then you have a license that's absolute
10 maximum. That's the only really restrictions. Then you
11 would obviously do your constructing based on cost,
12 minimizing people entering a security area and things like
13 that.

14 Q You indicated that the capacity and therefore
15 additional, any additional construction phases is
16 dependent upon the amount of customers or service
17 agreements?

18 A Right.

19 Q Are there any other factors that would influence
20 capacity?

21 A Not that I'm aware of. If there's a need, you'd
22 do it. If there's not, you wouldn't. Those agreements
23 you're talking about would be an indicator to me.

24 Q Also in the license application, is it true that
25 the license application indicates that construction will

1 PFSLIC owners. So you could -- they're not that clearly
2 defined, because really all you're talking about is more
3 slabs in one big fence.

4 Q Bear with me. Just to clarify, for the 40,000,
5 if PFS elects to build a 40,000 capacity facility, it will
6 be built in three phases?

7 A Yeah. That's what we would anticipate.

8 Q And if it's something less, it may be built
9 in --

10 A Two phases. Oh, yeah.

11 Q ~~[REDACTED]~~

12 ~~[REDACTED]~~
13 ~~[REDACTED]~~
14 A ~~[REDACTED]~~
15 ~~[REDACTED]~~
16 ~~[REDACTED]~~
17 ~~[REDACTED]~~
18 ~~[REDACTED]~~
19 ~~[REDACTED]~~
20 ~~[REDACTED]~~
21 ~~[REDACTED]~~
22 ~~[REDACTED]~~

23 Q The determining construction cost purchases --
24 strike that. Are there any licensed conditions or has PFS
25 made any commitments which obligates you to construct a

1 begin September of 2000?

2 A I don't have it in front of me. That's probably
3 about average that is put in.

4 Q Based on your assumption that the license
5 application says construction will begin approximately
6 September of 2000, is that still Private Fuel Storage's
7 plan?

8 A Well, the major restriction is the issuance of
9 the license by the board, which is outside our control.
10 That really drives when you start construction. Certainly
11 there's things you could do, I suppose, without that.
12 Obviously that was the original target for the license
13 when the application went in.

14 Q Do you have a -- based on the litigation
15 schedule for the licensing board and final decision by the
16 licensing board, do you have any new anticipated
17 construction date?

18 A Well, there's a new anticipated licensing date
19 which I think is probably the first one the board set, and
20 that's, as I recall, in November of 2001. May be even a
21 day on it. I don't know. So normally we would do our
22 construction after we get a license. That's totally
23 outside our control.

24 Q Other than the licensing board's schedule, are
25 there other factors that would determine your construction

schedule?

A None that I can think of.

Q Will Private Fuel Storage begin construction before the license is issued?

A I don't know. There's a lot of restrictions on what you could do, so I can't really answer that. It's a relatively simple facility, so it may not happen. I don't know. There's certain things you can't. Depends on the NRC part of it.

Q Do the license commitments to not construct until you have sufficient funds to build a [REDACTED] MTU facility restrict you from doing any construction on site, such as site preparation, until you have sufficient commitments for the [REDACTED] MTU facility?

MR. GAUKLER: Objection; calls for a legal conclusion.

A I don't know.

Q Exhibit 12, if you'll look at -- let me back up. If you look at -- Exhibit 12 on page 2 outlines costs for a 15,000 MTU capacity facility and a 40,000 MTU capacity facility. Who prepared these cost estimates for this document?

A I believe Stone and Webster. They're architect engineers.

Q And do you know what they base their cost

estimates on?

A Well, I know they looked at the probable design and sizing. You know, they're construction engineers, so they did most -- you can see on page 3 of 3 that the different buildings are listed. They knew the square footage they contemplated using, they knew the design of the access roads. So they used I suppose good construction. You'd have to ask them basically exactly what they used.

So far as transportation equipment, that's the only thing they really haven't been involved with.

Q If Stone and Webster has not been involved with transportation equipment, what was their resource for the cost estimates in this document?

A The transportation equipment?

Q Yes.

A Me.

Q Okay. Are construction costs provided in the business plan, the 1998 business plan?

A Are they in here?

Q Yes.

A Sure.

Q In what area?

A Well, they're in each case. Are you asking like typically what pages?

1 Q Yes.

2 A Okay.

3 Q For an example.

4 A I'll try not to mess this up anymore. It would
5 be in the 12.8 case. It starts with page 46 and goes
6 to --

7 Q Would you indicate the title of the --

8 A Capitalized costs.

9 Q Oh, okay.

10 A It goes to page -- give me a minute here. Ends
11 on page 75.

12 Q And who estimated the costs for the business
13 plan, construction costs that are in the business plan?

14 A The hardware costs? Stone and Webster. I mean,
15 other than transportation costs.

16 Q And are the capitalized hardware costs in the
17 business plan, are they based on the same information and
18 estimates that were used in the RAI response in Exhibit
19 12?

20 A I can't tell you by memory.

21 (Exhibit 13 marked for identification.)

22 Q Does this look familiar to you? Is this
23 document familiar?

24 A Yeah.

25 Q Page 1 out of the Private Fuel Storage facility

1 transportation study, 40,000 MTU, 40-year life, Exhibit
2 12. In general, the transportation study construction
3 cost -- strike that. In general, how are the construction
4 cost estimates for the transportation study derived?

5 A Basically this is the work done by Stone and
6 Webster on the different transportation options. So the
7 left column basically were some early attempts at what
8 they thought construction costs would be for different
9 options. So those that have an IT are intermodal transfer
10 points. Those that are DR, I think that's for direct
11 rail.

12 So it was a first look at, you know, what
13 potentials would be in one case versus another. This was
14 back before the amendment was put in on specific rail
15 routing. So you can see that there's different options
16 for, like there's six different interval transfer point
17 options on here, looks like five direct rail options. So
18 Stone and Webster made estimates of the -- construction
19 estimate there is talking about the IT, intermodal
20 transfer point, or the rail line, first flush coming
21 different places, different locations. That was without a
22 detail design.

23 Q And is DR-5, the Low Junction turnout south to
24 site across BLM land, that's the Low Rail --

25 A That's precisely -- uh-huh.

1 Q -- alternative that you're using. As well as
2 the other alternative, the IT 3, 1.8 miles west of Timpie?
3 Is that the --

4 A It may be. I don't remember precisely on that
5 one.

6 Q If I could have you look back at Exhibit 12 as
7 well as look at Exhibit 13. Are the off-site rail line --
8 on page 3, I'm sorry. Are the off-site rail line or
9 intermodal shipping facility construction costs, are those
10 based on the same information or similar information as
11 the transportation study construction cost estimates?

12 A No.

13 Q How are the costs --

14 A Well, as we've proceeded with this, of course
15 we've taken more detailed looks at them. This was a very
16 rough look in a whole bunch of places. There were bridges
17 and all sorts of stuff in there.

18 MS. NAKAHARA: Just for the record, this is
19 Exhibit 13 -- sorry -- that Mr. Parkyn was referring to.

20 A And by the time Exhibit 12 was put together, it
21 was more refined. And then of course when you get to an
22 actual bid, you have the final number.

23 (Exhibit 14 marked for identification.)

24 Q Are you familiar with Exhibit 14, Private Fuel
25 Storage Transportation Study? It's additional pages out

1 (Discussion off the record.)

2 THE WITNESS: So I've got 16 that's 4/26 and 15
3 that's 4/17.

4 Q (BY MS. NAKAHARA) If you will look at the
5 4/17/2000, Exhibit 15. Are you familiar with this
6 document?

7 A I'm just taking a quick look to make sure they
8 match. Okay. Now, which document?

9 Q Exhibit 15, the 4/17/2000 document.

10 A Okay. I've seen it, yeah.

11 Q And who prepared the cost estimates on this
12 spreadsheet?

13 A Stone and Webster.

14 Q If you know, can you briefly explain how the
15 cost estimates were derived?

16 MR. GAUKLER: To the extent you know.

17 A They did a more detailed construction estimate
18 as a follow-through of these others that you've been
19 talking about where they actually started looking, you
20 know, as you can see, more details right down to doors and
21 stuff like that contemplated in buildings. So what they
22 have done is tried to do a detailed cost estimate
23 basically on almost everything, and down to rail
24 equipment.

25 Q If you know, what year's dollars were these

1 of the transportation study.

2 A I've seen it, yeah.

3 Q The only question I have about this document is,
4 can you explain the column "Distributable Costs" vs.
5 "Direct Cost"?

6 A I'm not sure that I really can. This came from
7 Stone and Webster. I'm not sure what they mean when they
8 add that in.

9 (Exhibits 15 and 16 marked for identification.)

10 Q Exhibit 16 is titled PFS Construction Estimate,
11 PFS Storage Facility/Railroad, Preliminary Construction
12 Cost Estimate, April 17th, 2000. Mr. Parkyn, are you
13 familiar with this document?

14 A Just for a question, I've got two versions of
15 the same thing, one with a 15 and one with a 16 on it.
16 They're the same dates. Both of them that have the
17 exhibit number on them happen to have the same number or
18 date. I think they're the same thing. So maybe somebody
19 else has got two of something else.

20 MR. GAUKLER: They're the 4-17 date.

21 THE WITNESS: Both of mine are. So if there's
22 another date --

23 MS. CHANCELLOR: 4/26 here.

24 THE WITNESS: So maybe somebody's got two
25 4/26's, then.

1 estimates made?

2 A These were all done as of early 2000. So this
3 is an updated construction in today's dollars.

4 Q Exhibit 16, the April 26, 2000 document, are you
5 familiar with that document?

6 A Yeah.

7 Q And did Stone and Webster also prepare that
8 document?

9 A Yeah.

10 Q And can you briefly explain the differences
11 between the April 17th, 2000 Exhibit 15 and the April
12 28th, 2000 Exhibit 16 documents?

13 MR. GAUKLER: To the extent you know.

14 A Yeah. I mean, this was their final cut on the
15 26 one. It's about [redacted] difference, then they went
16 through a cross-check and refined. So the 26 I believe is
17 the final issuance, if there's such a term, bringing it up
18 to date. And the one you've got of 4/17 was kind of a
19 first cut or first printout at it. And then they go back
20 and they quality check every entry. So before they made
21 the final, there's looks like [redacted] differential. I
22 don't know exactly what it is.

23 Q So the April 28, 2000 document would be a final
24 document?

25 A The April 26, yeah. That would be final to this

1 point, you know. Obviously you've gone through now pretty
2 good preliminary design estimating. You've, of course,
3 gone through all the interrogatories back and forth, so
4 you have an idea. Whereas the earlier estimates of course
5 were about the benefit of all of that. But it's not a bid
6 spec or anything like that. It should be the final and
7 most detailed version. Normally couldn't do it until just
8 before licensing. Wouldn't be any use in putting it out.

9 Q Do you anticipate any additional revisions to
10 these cost estimates in between now and the final bid
11 spec?

12 A No. But I do obviously anticipate, you know,
13 final bid specs prepared, which are cost estimates, all
14 the detail design, and it's put out for bid to
15 contractors. Then the actual cost becomes -- bid results
16 are --

17 Q Are construction, administrative and operational
18 needs during -- operational needs during construction, are
19 those costs included in these construction cost estimates?

20 A Yeah. They put an overhead burden in the
21 numbers. I don't know exactly what it is, but it allows
22 for labor and materials, including oversight.

23 Q Do you know where that's reflected in this
24 document, one of these documents?

25 A I guess probably most of the lines, because the

1 standard method is to pretty well put it on everything.

2 Q Look at Exhibit 16, the April 26 document. On
3 the last page, page 7, cost estimates for the intermodal
4 transfer point, are the costs of the crane at the
5 intermodal transfer facility included in these costs? Or
6 do you know?

7 A I can say they should be, but I've only gotten
8 this. I don't know. They really should be to have a
9 complete building. But I can't answer that specifically.
10 I just got this last week. I've never gone through it.

11 Q Look on page 3 of the April 26, 2000 document.
12 It shows a cost, a total cost of the security and health
13 physics building with a [redacted] percent contingency as
14 approximately [redacted] --

15 A -- [redacted] yes.

16 Q Million. And RAI response, which was Exhibit
17 12 -- 13 -- 12, shows in security and health physics
18 building a [redacted]. If you know, what would
19 attribute to the difference in costs of [redacted]

20 MR. GAUKLER: To the extent you know.

21 A Well, basically, again, the newest one, Exhibit
22 16, is based on more of an actual design of the building,
23 and the earlier ones were on square footage. The earlier
24 ones are before you add the kind of detailed design. So
25 when they did the actual design, looked at the elements,

1 it wasn't as expensive as the original estimates and just
2 per square footage.

3 Q If you look at page 6 of the April 26, 2000
4 document. Sorry, wrong page. Page 5 of the April 26,
5 2000 document. Under the general category of "Other,"
6 "Other loading system equipment," you have an itemized
7 cost. For the transfer casks, you indicate there's two
8 transfer casks?

9 A Yeah.

10 Q Are these the transfer casks that will be used
11 in the canister and transfer building --

12 A No.

13 Q -- or --

14 A Well, yeah. Call it the HI-TRAK, to get back to
15 it.

16 Q So they'll be using the canister transfer
17 building, or on site at a reactor?

18 A One each. It's just a shield and cask.

19 Q Directly below there is a line item for dry
20 transfer system.

21 A Uh-huh.

22 Q And for a quantity of two and a unit cost of
23 [redacted] each. How was the [redacted] cost
24 derived?

25 A Well, basically looking at the cost to

1 manufacture the other casks, like the shipping casks,
2 which of course is more sophisticated, you know, it costs
3 less. Then we put a design and a penalty on it for the
4 fact that there's no market for these. In other words,
5 these would be the only ones being built. So putting the
6 cost of designing them totally on them, of course. The
7 shipping casks, which there would be quite a few built,
8 that was divided up.

9 So actual construction of a dry transfer cask
10 will not be as expensive as the shipping cask. Total cost
11 to us will be greater because we're paying for -- I don't
12 want to use the word "one of," but the two of them. In
13 other words, these are the only two that we contemplate
14 will ever be built, so I'll have to pay the whole cost of
15 designing them to the vendor, because they know there
16 won't be any more coming.

17 Q Do you have a design for the dry cask system
18 now?

19 A No, just conceptually. It's with a request for
20 proposals now from different vendors.

21 Q On the last page, page 7, do these costs for the
22 intermodal transfer point include the costs of widening
23 Skull Valley Road?

24 MR. GAUKLER: To the extent you know.

25 A I don't know. I can't answer that.

1 Q Would Skull Valley Road have to be widened to
2 accommodate heavy haul trucks?

3 A I don't believe legally it would, no. Just wide
4 enough for transit. I don't know what interaction you'd
5 want with other traffic. I guess you'd want to be able to
6 pass. It's certainly wide enough now to take a heavy haul
7 truck. Get the state representatives here and say, no,
8 it's a state highway, and mention widening in accordance
9 with Utah law. I know it didn't have shoulders, and you
10 have them on state highways. I'm thinking of writing the
11 governor a letter and saying, a taxpayer in Utah
12 complained; it was on my shoulders when on the state
13 highway yesterday and it was bothering me somewhat. But
14 we'll leave that for you and the Attorney General.

15 Q In the April 26, 2000 construction cost
16 estimates, there's a ~~10~~ percent contingency added to the
17 line items. What types of things do you anticipate the
18 contingencies cover?

19 MR. GAUKLER: To the extent you know.

20 A Well, I would say basically they're tied to the
21 different structures, the different actions; so I guess
22 they would cover any shortfall, or collectively you could
23 use it for any shortfall on any item. What's their best
24 estimate, recognizing while this is getting pretty
25 detailed, it hasn't been bid yet. Obviously you have to

1 position with respect to basis 6 of Utah Contention E, and
2 it states, "While cost estimates provided in the LA are
3 stated generally, PFS has provided more detailed estimates
4 in its RAI responses, especially in its business plan."

5 What documents has NRC -- has Private Fuel Storage
6 submitted to NRC for NRC to base their position?

7 A I'm not quite -- you mean -- by memory I can't
8 tell you. I was grouped with the license application. I
9 don't know we responded to RAI's. We sent everything
10 probably to the state that we've submitted. I really
11 don't know by memory.

12 MR. GAUKLER: I think the document speaks for
13 itself in terms of what the NRC's referring to.

14 Q Do you know what year NRC is referring to in
15 this document as the business plan, the 1998 or '97
16 business plan?

17 A I don't know what they used. You would have
18 access to everything they used.

19 Q If there's a significant delay between the
20 completion of construction and start of operations, what
21 additional construction or maintenance costs will be
22 accrued, if any, prior to use of the facility?

23 A Well, I can't think of any different ones, you
24 know. Construction you just mentioned would be completed,
25 so there wouldn't be any additional construction costs.

1 get a contract to what they bid.

2 Q We've talked about the RAI response, which
3 identifies construction costs; the 1998 transportation
4 plan, which had some initial construction costs for the
5 Low Rail spur and some options for intermodal transfer
6 points; and the business plan which identifies the
7 construction costs; the April 17th, 2000 spreadsheet that
8 identifies construction costs; and the revised or updated
9 April 26, 2000 spreadsheet that identifies construction
10 costs. To your knowledge, are there additional documents
11 that identify construction costs either in draft or final
12 form?

13 A Not that I recollect.

14 Q Do you know if there are any documents which
15 show calculations that derive the early RAI construction
16 calculations?

17 A No. You're going back to some of these earlier
18 ones. I can't tell you. I assume Stone and Webster has
19 documents. They just generally give us a summary.

20 (Exhibit 17 marked for identification.)

21 Q Exhibit 17 is "NRC Staff's Statement of its
22 Position Concerning Group I and II Contentions." Page 5
23 is attached. Are you familiar with this document?

24 A Generally, yeah.

25 Q On page 5, No. 6, this is the NRC staff's

1 You would have the normal maintenance on the facility. Of
2 course, when it starts it's more minimal than when it's
3 been used. If it hasn't started operations, there
4 wouldn't be any usage of it.

5 Q If there's a delay between start of operation
6 and completion of construction, who would pay for the
7 maintenance costs prior to operation?

8 MR. GAUKLER: My objection goes to the issue of
9 funding, which is beyond the scope of the contention that
10 was resolved by the board in its summary disposition.

11 Q I guess what I'm trying to get at is, there's
12 additional costs, whether they're addressed or not, in the
13 business plan's operation costs. If there's additional
14 maintenance costs for maintaining the facility while
15 you're waiting to operate it or a delay that it did not
16 anticipate, whether those costs are addressed in the
17 business plan O&M costs.

18 MR. GAUKLER: That question asked whether or no
19 there's a column in the business plan for such a cost.

20 A No, there's not a specific column if there's a
21 delay between, you know, authorization to operate after
22 construction and operation.

23 Q But there's not a specific column where the
24 costs are considered?

25 A Not specifically. Obviously there's a

contingency that you could use for that. There wasn't a column that predicted that you would go all the way through building and then not operate.

Q IF, for some reason, there's a significant delay between -- strike that. If for some reason there's a significant delay before you construct the facility, how will construction costs be adjusted?

A Well, you have the mechanism, of course, of collecting from your customers, and you have a bid. So part of it's covered by how long the delay was. If the delay got beyond bids, you would rebid it and the cost went up, then you would have to take that out of your for KG collections, because they're basically funding construction. But remember all of that's escalated anyway, so if construction were at a later date you'd be collecting more than

Q Based on your bid specs and there was a delay, you would -- it's my understanding that you would rebid if there's a significant --

A There's a restriction, of course, in the specs as to how long a contractor will hold it for. So they were all bid. I don't know your local contractors. A lot of them, you know, this bid is valid until such and such. It's up to the contractor -- electricians, plumbers, whatever they feel comfortable holding their bid specs.

If you go beyond that, then unless you can negotiate them to hold it, then potentially you're rebidding it.

MS. NAKAFARA: I don't have any more questions.

Thank you.

EXAMINATION

BY MS. CHANCELLOR:

Q But I do. I have some questions about insurance. Wasn't quite ready for the end.

What insurance policies will PFS obtain, if you know?

A Well, we'll have coverage for the specified workers in the business plan, basically, but you've have insurance for nuclear liability and nuclear property. And because we employ people, you have to have workers comp, workers compensation coverage as an insurance. And then of course you have your general liability.

Q And nuclear liability, what's the coverage on that?

A Well, it varies on what the insurance company decides to offer.

Q When you refer to nuclear liability, are you referring to the \$200 million off-site nuclear liability insurance policy, or are you referring to something --

A No, that's what I'm referring to.

Q -- different than that? That's what you were

1 referring to?

2 A Correct. There's only basically one pool.

3 Q And PFS does intend to obtain \$200 million in
4 off-site nuclear liability insurance?

5 A Uh-huh.

6 Q Is that correct?

7 A Yeah.

8 Q And do you know the premium on that?

9 A Not exactly.

10 Q Ballpark?

11 A I wouldn't -- it won't exceed from my early
12 estimates of [REDACTED] annually.

13 (Exhibit 18 marked for identification.)

14 Q This is from PFS's business plan, and the second
15 page is titled Insurance and Risk Management.

16 A Uh-huh.

17 Q Under "Coverage of nuclear risk liability," at
18 the end of that paragraph it says, "Initial inquiries of
19 nuclear insurers indicate that private nuclear liability
20 insurance coverage of \$200 million will be available for
21 the facility." Is that the sum and substance of what
22 you're referring to as nuclear liability insurance?

23 A Correct.

24 Q Okay. And if the amount of -- maximum amount
25 available when you apply for it is less than \$200 million,

1 will that be the amount that you would obtain?

2 A Well, obviously you're limited by what they will
3 offer you. When we made these inquiries, it's what they
4 indicated they would make available.

5 Q The next item refers to -- on Exhibit 18 refers
6 to property. And then in the last sentence it says, "The
7 LLC," and that's Private Fuel Storage, "proposes to submit
8 applications to all domestic nuclear property insurers for
9 nuclear physical damage and debris removal insurance."

10 A Uh-huh.

11 Q Can you explain what nuclear -- what this policy
12 would cover, nuclear physical damage?

13 A Yeah. It basically covers property damage,
14 off-site property damages.

15 Q Off site?

16 A On site, sorry. On-site property damage, damage
17 to property that's on site. But it goes through the same
18 policy group as the liability; they're just separate
19 policies. The insurers do them together.

20 Q And what does it mean, nuclear physical damage?

21 A If you have any damage in the site that is in an
22 area basically where you have any potential of
23 contamination.

24 Q And debris removal?

25 A That would be cleaning anything up -- damage.

1 Q And what amount of coverage do you anticipate
2 that you'll get for nuclear physical damage and debris
3 removal insurance?
4 A Well, the early indication from them is about
5 \$70 million.
6 Q And any idea of the premium?
7 A That also was somewhere in the range of
8 [REDACTED] This goes back to when this was written. Fool
9 makes the determination when you apply as to what the
10 rates will be based on what they perceive is risk, just
11 like any other insurance.
12 Q Is that a separate [REDACTED] per year, or is it
13 part of the --
14 A No, it's a separate [REDACTED]
15 Q If you look at the business plan on Exhibit 3,
16 page 43. It's the synopsis of the business plan that
17 we've been referring to. Mr. Kapitz' Deposition Exhibit
18 3, I believe. Front page, looks like this. On page 43 --
19 A All right I'm there.
20 Q -- under administrative costs, the fourth item
21 from the bottom, insurance -- no, third item. Insurance
22 and nuclear, [REDACTED]
23 A Yeah.
24 Q What's included in that line item?
25 A Those two insurances, property and liability.

1 they saw it. That would be reflected in the premiums.
2 Q How did you determine or estimate that \$70
3 million on-site insurance is adequate coverage?
4 A I got that from the insurance company.
5 Q The \$70 million, the insurance company told you
6 the amount of the policy that you should --
7 A Yeah, we asked the insurance company, and that's
8 where the \$270 million came from, the first contact with
9 Nuclear Liability Insurance. They're the ones that issued
10 these two policies.
11 Q Is \$70 million the maximum amount of insurance
12 coverage available from the insurer?
13 A I don't know the answer. We're having
14 continuing discussions right up till operation. They'll
15 tell us basically what we need and what they'll charge for
16 it. That was their initial response when I had that
17 question, and I called them, they gave me the two numbers.
18 They're the experts.
19 Q Does PFS have any contingency plans or any items
20 in the budget if \$70 million insurance is not accurate?
21 A Most definitely. We have [REDACTED] in the
22 budget. [REDACTED]
23 [REDACTED]
24 Q So you've got [REDACTED]
25 A Excess in the budget over the preliminary quote.

1 Q So how did it get from [REDACTED] to [REDACTED]
2 A Well, I estimated a little too high when I
3 originally put the business plan together. When we went
4 to the insurers, it was only about half that.
5 Q So you anticipated that this budget item would
6 decrease if you did a new budget?
7 A No, we left the budget item as is, a
8 conservative thing, payments that people make. It's just
9 that the costs from the insurers as we've gotten closer
10 reflected about half of what I originally estimated.
11 Until you get down to the actual operation and get the
12 final bid, you have a firm number. So I was high.
13 Q Does it make any difference to the amount of
14 premium whether it's a utility or whether it's a company
15 such as PFS, a limited liability company applying for a
16 chance as to the premiums?
17 A No, they just measure it on risk. It would be
18 the risk of storing fuel as opposed to operating the
19 plant.
20 Q The fact that it's next to a -- the PFS facility
21 will be located next to a bombing range, would that affect
22 your insurance premiums, if you know?
23 A Well, I'm not an insurer, but obviously these
24 plants are located next to urban areas, so I would surmise
25 that they would look at the cumulative risk as to however

1 Q But I'm talking about the policy coverage, the
2 \$70 million, not the premiums. If \$70 million is not
3 adequate coverage for property damage that may occur at
4 PFS, does PFS have any measures in the budget, any items
5 in the budget that could pick up additional costs?
6 A Not specifically designated that way. In other
7 words, the insurer will in a final determination, you
8 know, offer what's reasonably available, is the term that
9 you're using, that's what we'll get. So maybe more than
10 \$70 million. But it really gets down to what we have for
11 potential premiums. Obviously we have quite a bit more
12 than their initial estimate. We're leaving it in there,
13 and if they feel we need more, then that will
14 certainly take what they tell us we need and pay for it.
15 Q Is there more than one on-site nuclear property
16 insurer?
17 A I think the structure of the insurance industry
18 is that they go through -- and you're out of my league --
19 it's NEIL, Nuclear Energy -- there's a pool where all the
20 insurance companies come together. So I believe they all
21 work through the same pool. I don't know the names of the
22 individual insurance companies. You contact the pool,
23 basically, and they tell you what you have to have in you
24 rates. It's the same as a running plant. They set the
25 rates.

Q So they'd be treating you like a utility, the insurer?

A The insurer is the insurer that insures nuclear power plants. That's as much as I can say. I don't know how they rate their risk. They're pros at it. Haven't lost any money, so --

Q If you know, do you know whether it would be possible to obtain multiple policies from different insurers, or you think that it's only obtainable through this one nuclear insurance pool?

A To the best of your knowledge, there's only this one source. All the insurance companies have gone together to cover.

Q Are there any indemnification provisions in the service agreement to cover damage, on-site property damage?

A I don't know that by memory. I'd have to look that one up.

Q Do you have any signed service agreements?

A No.

Q Have you drafted a final service agreement?

A Not yet. We're working on it.

Q What sort of insurance coverage does Dairyland have for on-site property?

A I don't know. It's the same pool, by the way,

Q This is general liability. Sort of doing business general liability?

A You know, somebody stubs their toe and sues you because you didn't have the threshold level with the floor.

Q Okay. And the property, P-R-O-P, is that property?

A Yeah, uh-huh, the general property insurance you have for -- most homeowners call it all hazards, you know, if a storm breaks something. So once you have building spaces where you would operate a motor vehicle --

Q Do you know the amount of that coverage?

A Property, no. I mean, we don't have it. I presume it would be tied to the replacement cost of the buildings.

Q And does directors and officers insurance, is that included in this line item for insurance?

A Yeah. We have that.

Q So that's [redacted] out of [redacted]

A Year to date. It averages about [redacted] a year.

Q [redacted] okay.

A It's billed in different sequences.

Q Okay. If you'll assume this hypothetical.

Assume an F-16 crashes into the canister transfer building. It's a hypothetical, okay?

but I don't know.

Q If you could take a look at Exhibit 10, which the front of the document is Larsen & Associates.

A I got it.

Q And if you look on the third page. And the third item is "Board Expense-DNO Insurance." What's that?

A Directors and officers liability. It's another insurance included under the other insurance category, the non-nuclear stuff.

Q So that's part of the [redacted] on page 43 of Exhibit --

A Right.

Q -- 3?

A Uh-huh.

Q So you've got directors and officers insurance and workers comp.

A That's for the employees.

Q Right. So is the liability, the directors and officers insurance, Exhibit 3?

A Is what liability?

Q Okay. If you look at the line item for insurance on page 3 of Exhibit 3, it's got insurance, paren, liability workers comp, etc, [redacted]

A Okay. That liability is just the general liability you have on non-nuclear liability.

A Why would I assume something like that? As a pilot I would never crash a plane into a building.

MR. SHEERAN: Not more than once.

THE WITNESS: No.

Q (BY MS. CHANCELLOR) How would PFS pay for damage from a significant accident, such as an F-16 crashing into --

MR. GAUKLER: Objection, lack of basis. You can answer.

Q It's a hypothetical and it's --

A Well, first, that's an incredible accident that you're talking about. A credible one, then obviously you pay it through your insurances. So your nuclear property would get a restoring your property to operational functionality.

Q And to the extent that damage was beyond the coverage of your insurance policy, would you spread the cost out over your customers, additional cost?

A We go back to your hypothetical, and obviously we don't operate F-16's, so we look to you as the operator of it, federal government to pay for the damage you cause.

Q Okay. I'll give you a different hypothetical. Assume there's a 7.0 earthquake and it created significant damage to the storage casks.

A Okay.

1 O [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 A [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 O [REDACTED]

11 [REDACTED]

12 A [REDACTED]

13 [REDACTED]

14 Q [REDACTED]

15 A [REDACTED]

16 Q [REDACTED]

17 A [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 O [REDACTED]

24 [REDACTED]

25 A [REDACTED]

1 is that correct?

2 A Right.

3 Q At what point after it's in that vertical

4 position do you do your inspection of the canister?

5 A Well, the canister is then, top is taken off of

6 the transportation casks. So now -- remotely, because

7 you're with a person there, you can see the top of the

8 canister visibly but you can't see the sides or the bottom

9 yet. Then you raise it into the transfer cask, which is

10 set right above it. So you would be doing your

11 radiological smears as you are raising it.

12 Q So how can you do -- how can you get your

13 radiological smears if you have the canister going inside

14 the HI-TRAK transfer?

15 A Just a line of material that wipes the side of

16 it as it's lifted. So basically you put that in place so

17 you're not exposing people before you're doing lifting.

18 Once it's in the shielding cast, then you recover that.

19 Take the tape off and run it through the counter, see if

20 you've found any radioactive materials.

21 Q So at what point in the transfer operations

22 would you know if the canister was nonconforming to the

23 HI-STORM transportation -- storage cask?

24 A You talking nonconforming in the sense that

25 there's radiation on the outside of it?

1 [REDACTED]

2 Q Does the service agreement allocate liability

3 amongst customers when you've got fuel stored there for

4 many different reactors?

5 MR. GAUKLER: Objection. Beyond the scope of

6 this --

7 MS. CHANCELLOR: I'll withdraw the question.

8 Strike that response. I just withdrew my objection.

9 Q When fuel arrives to the PFS site, you do a

10 receipt inspection; is that correct?

11 A Yes. Of the canister, not of the fuel.

12 Q Oh, the canister?

13 A You don't open that.

14 Q Right. But does your receipt inspection occur

15 such that -- does that include both the transportation

16 cask and the canister?

17 A It would, certainly, because you're taking the

18 canister out of the transportation cask.

19 Q How do you inspect -- the canister is lifted

20 from the transportation --

21 A Cask.

22 Q Strike all that. Isn't it correct that the

23 transportation cask comes in horizontally?

24 A Uh-huh.

25 Q And then it is rotated to a vertical position;

1 Q Right.

2 A As soon as you run the paper over the counter

3 while it was still in the transfer cask. Doesn't take --

4 Q Okay. So from the tank --

5 A Yes, virtually as quickly as a person once it's

6 in the shielding cast can recover the paper -- we call

7 them smears; there's some more technical names for

8 them -- take them over and count them. We'll start

9 immediately looking for is there any contamination that's

10 been wiped off on this paper, and they'll know what

11 portion of it the paper came from. You just number it.

12 Q And if you received a nonconforming cask, if

13 your smears show that there is external contamination,

14 what happens then?

15 A Then it has to be cleaned before HI-STORM.

16 Q And how do you clean it?

17 A You wipe it again with soft paper, cleaner,

18 whatever is necessary.

19 Q Remotely?

20 A Yeah.

21 Q And who pays for that cost?

22 A The shipping utility. The service agreement

23 provides that this is a receipt facility only for

24 non-external contaminated canisters. And you're

25 responsible for loading them at your site totally. You

just have this person overseeing things. You have full responsibility, so if somehow you have found a way to get around catching it while it's on site and it ends up in a transportation cask, our transportation cask comes out to our site and we have to clean anything up. You pay for all of that in addition to the other payments you've made immediately.

Q And if you can't wipe the contamination off, what happens then? The contamination is such that it can't just be wiped off.

A I'm not familiar with individual cans. I mean, we're talking about spreadable contamination, which is the consumer. You put it in a storage overpack and you ventilate it. That's what you're trying to get is any spreadable contamination.

Q And if you find contamination on the canister, do you assume then that there's also contamination on their transportation casks?

A Definitely.

Q And who bears that cost?

A We pay that. Because we can't reuse it without the person empowered to clean it up before a clean canister is put in and sent to another utility. So if you didn't clean the inside of the transportation cask, it would be predetermined that the next canister that came in

1 A I mean, it's not a -- not a scheduled item. If
2 you're trying to make them look nice, I suppose you could.
3 Some rail cars are washed and some aren't. Like Antrak
4 has a car wash they run them through because they care how
5 they look.

6 Q The train car wash. I'm sorry.

7 A They used to have one in Salt Lake. I don't
8 know if they have one anymore. It walks right along the
9 train.

10 Q I've got a couple of questions about
11 construction. If as a result of say comments from the
12 environmental draft EIS or E.P.A., if you had to line the
13 retention pond, do you have any allowance in your budget
14 for doing that?

15 A I guess not, other than the contingents.

16 Q And same with the storage pads and around the
17 storage pad area?

18 A If you had to line them?

19 Q Rather than putting the pads on native earth, if
20 you had to put a synthetic liner.

21 A I don't know what you could do with -- I
22 understand my part of it, but I don't think there's
23 anything you could do with a pad. Remember a pad's not
24 porous, so anything you put under it for a liner would be
25 pretty vulnerable with concrete on top.

would have external contamination. But it wouldn't be that utility's fault, so you'd have to clean it at the site before. Have clean canisters placed in it, and then you bill the utility that caused it for the labor, for the wiping material and for any burial costs for it.

Q If the transportation cask can't be cleaned, then is the utility on the hook for the entire transportation?

A I can't conceive of what they could do or couldn't be doing, because we're talking about the spread of contamination. That's how it was spread. It would have to have been on the outside of the canister then on the inside of the transportation cask.

Q Is any of this cleaning or removal of contamination, is any of that done with liquids, with water or any other fluids?

A Not normally. There are solvents that you can wipe the paper with, but it's not a free flow of liquid. Your first attempt is always with dry clean. It's not -- it's a very soft paper, very porous paper.

Q When the shipping cask comes in, do you do a washdown of that, hosedown?

A Transportation casks, no, there's no requirement to. You mean for road dust?

Q Whatever.

1 Q Do you have insurance coverage for the
2 locomotives and rail cars on site, the use of the rail
3 equipment on site? Is that covered by any of your
4 insurance?

5 A At this point obviously the property insurance
6 isn't specific. But it would. You're just talking
7 general property, loss of use of property,
8 nonradiological?

9 Q Yes. Or, for example, if your -- if one of your
10 rail cars derailed backing into or going into the canister
11 transfer building moving and a cask fell off would be one
12 example.

13 A Well, of course property insurance would cover
14 any damage to the property. You're talking the labor to
15 lift the casks back on. That should be covered in regular
16 operations.

17 Q I don't know if we went over this. Excuse me if
18 we have. PFS will own the locomotive and the rail cars;
19 is that correct?

20 A That's the plan, yeah.

21 Q Does the budget reflect the cost per mile of
22 shipping the loaded fuel to the site?

23 A Yeah, the transportation costs would.

24 Q I think in the transportation plan it had like
25 amount for a loaded train.

1 A It's something like that, yeah. See, the
 2 original estimates of the railroad, they were providing
 3 locomotives.
 4 Q So this [redacted] a mile or --
 5 A Whatever it was.
 6 Q -- whatever that number was in the
 7 transportation plan, that's another one you got from the
 8 railroad?
 9 A Originally the railroad's, yeah, with them
 10 providing the locomotion.
 11 Q Then providing the equipment, the locomotive
 12 engine?
 13 A No, just the locomotives, the power units. And
 14 the crews, of course.
 15 Q So the [redacted] a mile includes use of the
 16 locomotives and the crew?
 17 A And a piece of track space.
 18 Q Right, okay. And then the mixed freight going
 19 back where you would have the canister inside -- empty
 20 canister inside of transportation cars, is that [redacted] a mile?
 21 A I don't know what that comes out to. There was
 22 just a -- I think it was [redacted], just general
 23 shipping.
 24 Q [redacted]
 25 A It's in one of those pages.

1 to provide financial assurance equal to build that size
 2 facility.
 3 Q That size being [redacted]
 4 A Yeah. If you're asking me does that mean we
 5 have to put every slab in for initial construction for
 6 [redacted] metric tons, no, that's not what it says. We have
 7 to provide the money to do that.
 8 Q You have to make a paper showing that you have
 9 sufficient committed funds --
 10 A Right.
 11 Q -- to construct a [redacted] MTU facility?
 12 A Right.
 13 Q And the second license condition, which deals
 14 with operations, what initial capacity facility -- what
 15 showing do you think that you would need to make for an
 16 initial capacity facility -- what quantity of fuel would
 17 you need -- strike all that.
 18 For purposes of the second license condition
 19 dealing with operations, do you believe that that license
 20 condition is based on any minimum quantity of fuel?
 21 A No. It's based on a revenue number sufficient
 22 to cover those annual operating costs.
 23 Q So for example, if you constructed a [redacted] --
 24 if you made a showing that you had sufficient funds to
 25 construct a [redacted] MTU facility and you constructed pads

1 Q And that's from -- to get one unit, one shipping
 2 unit --
 3 A Utah an average distance.
 4 Q Okay. For purposes of the hearing on Utah
 5 Contention E, what size facility should we -- what size
 6 facility do you anticipate the construction costs will be
 7 based upon? [10,000, [redacted], 15, or 40,000 MTU? I think
 8 we've had four different scenarios.
 9 A Well, the initial phase of course will be what
 10 we will be doing initially.
 11 Q Could we assume that that's going to be [redacted]
 12 MTU?
 13 A [redacted]
 14 [redacted]
 15 [redacted] So obviously it depends on how many service
 16 agreements you have and what they contemplate in the early
 17 years of usage. Of course, the more service agreements
 18 you have, the more it would cover anyway.
 19 Q Do you read the proposed license conditions such
 20 that [redacted] MTU would be the minimum size facility that
 21 you could --
 22 A Capacity, yeah.
 23 Q Minimum capacity facility that you could
 24 initially construct?
 25 A I would say the license condition says we have

1 where you could store a hundred casks, say ten casks,
 2 under the way you read the license condition, would you be
 3 able to begin operating with just storing one cask on
 4 site?
 5 A If the utility that placed it there were to pay
 6 that many multiples, the [redacted] But you have
 7 to recover on total income.
 8 Q Oh, that many multiples, okay. Maybe I should
 9 ask it this way. How many multiples of [redacted]
 10 [redacted] do you have to recover before you can begin
 11 operating?
 12 A To begin -- in other words, if you're dividing
 13 it up and still trying to hold [redacted] I
 14 haven't done the math, [redacted]
 15 [redacted] as I recall, provides the annual
 16 budget. But what I was trying to say is, I guess, then
 17 [redacted] paying twice as much would also provide -- you have to
 18 provide the annual budget in your service agreements.
 19 Q So do you assume, then, that [redacted] is
 20 your -- excluding canisters and casks, [redacted] is your
 21 required budget for O&M?
 22 A I wouldn't assume that. I'd have to go back
 23 through and add it up. I just used that as an example to
 24 show you the division.
 25 Q I guess what I'm trying to ask is, what is the

1 break-even point at which -- strike that. I understand
2 that [redacted] a [redacted] NTU facility, subagreements for a
3 [redacted] NTU facility will fund an initial capacity, is
4 sufficient to fund your initial capacity. What I'm
5 unclear about is whether you need something more or less
6 than that [redacted] to fund your initial operating and
7 maintenance budget.

8 A It's something less than that. I haven't done
9 the specific math. Again, it's dependent on how much you
10 charge in the service agreement. So we would it put in
11 there as a nominal case. We're obviously not limited to
12 that nominal case, so many dollars per KG if you had a
13 lesser commitment, but utilities were willing to pay more.
14 It's getting at what he was talking about before, the
15 number of dollars that are fixed that it takes to run the
16 facility for a year. You don't really care how many
17 canisters are there.

18 Q You said you thought that it was somewhere
19 around about [redacted]

20 A I grabbed out of the air the base number and
21 just tried to show that it's something less than a
22 thousand casks that would be the -- so you could build a
23 facility certainly one size. How fast you fill it, that's
24 a variable. And you look at your actual service
25 agreements once they're signed that shows you your total

1 A Yeah.

2 Q And would that escrow account roll over time?
3 Would it being invested such that it would keep up with
4 inflation?

5 A Definitely.

6 Q And would it take into account technological
7 changes that may occur -- got more expensive, for example,
8 to do what was required -- 40 years from now if it's more
9 expensive to do a survey, decontaminate?

10 A It would have to, because we basically made a
11 commitment to update our decommissioning cost estimates.
12 So that decommissioning fund for the site, the 1.6, would
13 have to keep pace with that.

14 Q And who would pay for that?

15 A Pay for what?

16 Q Increasing the 1.6 to --

17 A The customers.

18 Q Is that part of the service agreement?

19 A Sure.

20 Q And does the same apply to the \$17,000 per cask
21 for decommissioning?

22 A Definitely.

23 MS. CHANCELLOR: I believe I'm done.

24 MR. GAUKLER: Can I have a few seconds to talk
25 to him?

1 cash which you have each year. You'd have to obviously
2 over the life of it show sufficiencies so it doesn't run
3 in the red.

4 Q Just -- I think I'll be through. Just one or
5 two questions on Contention 5. You have a letter --
6 propose to obtain a letter of credit of \$1.6 million?

7 A Approximately, yeah.

8 Q How will you determine -- what mechanisms will
9 you use to increase the letter of credit, if any, due to
10 future needs such as regulatory changes?

11 A Well, first, I don't contemplate what -- the
12 only change in the amount would be what the actual cost to
13 perform those services would be just prior to start-up.
14 Obviously the letter of credit was like 1997 dollars too.
15 So basically the letter of credit would be adequate to
16 fund those specific services at the time the facility is
17 ready to go into operation. That's when you would
18 actually take it, before you start receiving fuel.

19 So you'd be presumably looking at costs sometime
20 in 2003. It specifies you will do this survey, you'll do
21 that; and then you would get the letter of credit in
22 today's dollars, \$1.6 or whatever it is million, and then
23 you would offset it with a fund, of course, the first
24 couple years of operation, yield the letter of credit up.

25 Q And so you'd have some sort of escrow account?

1 MS. CHANCELLOR: Sure.

2 (Brief recess.)

3 (Deposition was concluded at 3:00 p.m.)

4 * * *