

EDO Principal Correspondence Control

FROM: DUE: 06/30/06

EDO CONTROL: G20060392
DOC DT: 04/11/06
FINAL REPLY:

Stephen D. Dingbaum, OIG

TO:

Kane, DEDR

FOR SIGNATURE OF :

** GRN **

CRC NO:

Dyer, NRR

DESC:

ROUTING:

Status of Recommendations: Follow-Up Audit of the
Nuclear Regulatory Commission's Decommissioning
Fund Program (OIG-06-A-07)

Reyes
Virgilio
Kane
Silber
Dean
Cry/Burns
Malloy, OEDO
OIG File

DATE: 04/13/06

ASSIGNED TO:

CONTACT:

NRR

Dyer

SPECIAL INSTRUCTIONS OR REMARKS:

Template: EDO-001

File: EDO-01



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

April 11, 2006

OFFICE OF THE
INSPECTOR GENERAL

MEMORANDUM TO: William F. Kane
Deputy Executive Director for Reactor
and Preparedness Programs
Office of the Executive Director for Operations

FROM: 
Stephen D. Dingbaum
Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: FOLLOW-UP AUDIT
OF THE NUCLEAR REGULATORY COMMISSION'S
DECOMMISSIONING FUND PROGRAM (OIG-06-A-07)

REFERENCE: DEPUTY EXECUTIVE DIRECTOR FOR REACTOR AND
PREPAREDNESS PROGRAMS MEMORANDUM DATED
MARCH 23, 2006

Attached is the Office of the Inspector General's analysis and status of recommendations from the Follow-Up Audit of the Nuclear Regulatory Commission's Decommissioning Fund Program, as discussed in the agency's response dated March 23, 2006. Based on this response, recommendations 3, 4 and 5 are resolved. Recommendations 1 and 2 are unresolved. Please provide a status update of all recommendations by June 30, 2006.

If you have any questions or concerns, please call me on 415-5915.

Attachments: As stated

cc: William Dean, OEDO
Melinda Malloy, OEDO
Patty Tressler, OEDO

Audit Report
Follow-Up Audit of the Nuclear Regulatory Commission's
Decommissioning Fund Program
(OIG-06-A-07)
Status of Recommendations

Recommendation 1:

OIG recommends that the EDO seek, and the Commission provide, direction whether to:

Require verification of decommissioning trust fund balances from trustees.

Response dated
March 23, 2006:

The staff disagrees with the underlying recommendations that action must be taken. Because these two recommendations are policy matters, the staff is preparing a Commission paper on the OIG's recommendations, and the staff's views regarding the recommendations. This Commission paper is scheduled to be completed in March 2006.

OIG Analysis:

At the exit conference on January 17, 2006, there was no indication that the agency disagreed with our findings. Pending receipt of policy direction from the Commission, this recommendation will remain unresolved. Please provide OIG with a status update on this recommendation by June 30, 2006.

Status:

Unresolved.

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(OIG-06-A-07)
Status of Recommendations

Recommendation 2: OIG recommends that the EDO seek, and the Commission provide, direction whether to:

Require specific prudent investment restrictions for decommissioning trust funds.

Response dated
March 23, 2006:

The staff disagrees with the underlying recommendations that action must be taken. Because these two recommendations are policy matters, the staff is preparing a Commission paper on the OIG's recommendations, and the staff's views regarding the recommendations. This Commission paper is scheduled to be completed in March 2006.

OIG Analysis:

At the exit conference on January 17, 2006, there was no indication that the agency disagreed with our findings. Pending receipt of policy direction from the Commission, this recommendation will remain unresolved. Please provide OIG with a status update on this recommendation by June 30, 2006.

Status: Unresolved.

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Status of Recommendations

Recommendation 3:

OIG recommends that the EDO:

Prescribe and implement a timeframe within which quality assurance will be performed.

Response dated
March 23, 2006:

The staff agrees with these recommendations.

The staff applied LIC-205, "Procedures for NRC's Independent Analysis of Decommissioning Funding Assurance for Operating Nuclear Power Reactors" in conducting the 2005 biennial report analysis, and QA audit. Following the completion of the staff's analysis of the 2005 biennial reports, the staff conducted a lessons-learned exercise based on its application of LIC-205. As a result of this lessons-learned exercise, the staff is revising LIC-205 to more clearly define each step in both the independent analysis process and the QA audit/verification process, and to more clearly define the period for the completion of the staff's analysis, including the start and completion of the QA audit. The staff expects to issue Revision 1 to LIC-205 in May 2006. Revision 1 to LIC-205 fully addresses Recommendations 3 and 4.

OIG Analysis:

The proposed corrective action addresses the intent of this recommendation. This recommendation will be closed when OIG receives Revision 1 to LIC-205 and determines that it prescribes a timeframe within which quality assurance will be performed. Please provide OIG with a status update on this recommendation by June 30, 2006.

Status:

Resolved.

Audit Report
Follow-Up Audit of the Nuclear Regulatory Commission's
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Status of Recommendations

Recommendation 4: OIG recommends that the EDO:

 Clearly document quality assurance work performed.

Response dated
March 23, 2006: The staff agrees with these recommendations.

 The staff applied LIC-205, "Procedures for NRC's Independent Analysis of Decommissioning Funding Assurance for Operating Nuclear Power Reactors" in conducting the 2005 biennial report analysis, and QA audit. Following the completion of the staff's analysis of the 2005 biennial reports, the staff conducted a lessons-learned exercise based on its application of LIC-205. As a result of this lessons-learned exercise, the staff is revising LIC-205 to more clearly define each step in both the independent analysis process and the QA audit/verification process, and to more clearly define the period for the completion of the staff's analysis, including the start and completion of the QA audit. The staff expects to issue Revision 1 to LIC-205 in May 2006. Revision 1 to LIC-205 fully addresses Recommendations 3 and 4.

OIG Analysis: The proposed corrective action addresses the intent of this recommendation. This recommendation will be closed when OIG receives Revision 1 to LIC-205 and determines that it specifically requires clear documentation of quality assurance work performed. Please provide OIG with a status update on this recommendation by June 30, 2006.

Status: Resolved.

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Status of Recommendations

Recommendation 5:

OIG recommends that the EDO:

Update NRC's decommissioning formula considering the relationship between formula based and site-specific estimates.

Response dated
March 23, 2006:

The staff agrees, that once an adequate data base is available, the formula should be updated. Over the next few years, as decommissioning projects are completed or substantially completed and the final costs become available, the staff will be able to compare the formula estimates for those sites to the final cost data at that time. The staff plans to begin assessing whether the formula needs to be updated in FY08.

The staff recently completed its review of the three preliminary site-specific decommissioning cost estimates for Oyster Creek Generating Station, Nine Mile Point Unit 1, and the Monticello Nuclear Generating Plant. In each case, the staff concluded that any variations between the site-specific cost estimates and the formula estimates are in a reasonable range when comparing only the radiological decommissioning costs. The uncertainties regarding available disposal capacity (since Barnwell may start limiting access to its disposal facility after mid-year 2008), when DOE is scheduled to take possession of the spent nuclear fuel, and the possible use of a more restrictive site release criteria at some sites, may limit our ability to significantly improve the formula in the near-term.

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OIG Analysis:

The proposed corrective action addresses the intent of this recommendation. The agency's response provides for a plan to begin an assessment of the formula in FY 08, however, there is no indication of an anticipated completion date. Please provide OIG with a status update on this recommendation, including an anticipated completion date, by June 30, 2006.

Status:

Resolved.