



February 14, 2008

Attn: Document Control Desk  
U. S. Nuclear Regulatory Commission  
Washington, D. C. 20555-0001

Serial No. 07-0847A  
NL&OS/TJS R1  
Docket Nos. 50-336, 423  
License Nos. DPR-65  
NPF-49

**DOMINION NUCLEAR CONNECTICUT, INC.**  
**MILLSTONE POWER STATION UNITS 2 AND 3**  
**RESPONSE TO REQUEST FOR INFORMATION CONCERNING BIENNIAL**  
**DECOMMISSIONING FUND REPORT (TAC NOS. MD5057 AND MD5058)**

On December 17, 2007, the NRC sent a letter to Dominion Nuclear Connecticut, Inc. (DNC) concerning the Millstone Power Station Units 2 and 3 biennial decommissioning funding status reports filed in March 2005 and March 2007. Specifically, a written explanation was requested regarding the reported balance of radiological decommissioning funds and NRC requirements and restrictions related to those funds. As documented in DNC Letter Serial No. 07-0847, dated January 9, 2008, the NRC granted DNC until February 15, 2008 to provide this response.

DNC's written response is attached.

Please contact Mr. David A. Sommers at (804) 273-2823 if you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Hartz".

Leslie N. Hartz  
Vice President Nuclear Support Services  
Dominion Resources Services, Inc  
For Dominion Nuclear Connecticut, Inc.

Attachment

Commitments made in this letter: None

cc: U. S. Nuclear Regulatory Commission  
Region I  
475 Allendale Road  
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Ms. C. J. Sanders  
NRC Project Manager Millstone Power Station Units 2 and 3  
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NRC Senior Resident Inspector  
Millstone Power Station

**ATTACHMENT**

**DECOMMISSIONING FUND REPORT: EXPLANATION OF REPORTED BALANCE  
IN RADIOLOGICAL DECOMMISSIONING TRUST FUND**

**MILLSTONE POWER STATION UNITS 2 AND 3  
DOMINION NUCLEAR CONNECTICUT, INC**

## **Background**

On March 29, 2005, Dominion Nuclear Connecticut, Inc. (DNC) submitted a biennial decommissioning funding status report (Serial No. 05-121) which included an accounting of funds held in external trusts (exclusive of funds designated for an ISFSI) as of December 31, 2004 for Millstone Power Station Units 2 and 3 (MPS 2 and 3) (\$314.0 and 321.1 million, respectively). On March 29, 2007, Dominion submitted its most recent biennial decommissioning funding status report (Serial No. 07-0174) which included an accounting of funds held in external trusts (exclusive of funds designated for an ISFSI) as of December 31, 2006 for MPS 2 and 3 (\$273.3 and 285.2 million, respectively). In a telephone call on September 5, 2007, NRC and DNC discussed the perceived reduction in funding. As noted in a NRC letter of December 17, 2007, DNC identified during the September telecon "that such reductions were not the result of withdrawals from the trust, but were the result of changes in accounting for funds in the trust."

## **NRC Request**

In a letter dated December 17, 2007, the NRC requested "a full written explanation as to whether the reduction in the reported balance of your radiological decommissioning funds from the balance previously reported constituted a withdrawal or disbursement within the scope of the NRC's restrictions on withdrawals or disbursements."

## **DNC Response**

To reiterate and confirm the information provided the NRC in the September 5, 2007, telecon, the change in the reported values for the MPS 2 and 3 trusts is not the result of any withdrawal or disbursement of the decommissioning funds. No withdrawal or disbursement other than permissible administrative expenses has occurred. Rather, the change in the reported value represents a change in Dominion's internal accounting to be consistent with the results of the most recent decommissioning cost estimate study and, therefore, for internal accounting and planning purposes to more accurately apportion the total fund relative to the breakdown of costs in the cost-study update. This was viewed as conservative because it showed that even with the projected distribution of post-shutdown costs, the portion apportioned to radiological decommissioning for internal accounting and planning purposes by this method exceeds NRC's required funding amount.

This internal accounting does not affect or limit the amount in the trust funds that is available for radiological decommissioning and subject to NRC jurisdiction. The total decommissioning fund remains available for radiological decommissioning, remains

subject to NRC jurisdiction, and remains subject to the specific license conditions in the MPS Units 2 and 3 licenses. These conditions provide, "No disbursements or payments from the trust, other than ordinary administrative expenses, shall be made by the trustee until the trustee has first given the Director of the Office of Nuclear Reactor Regulation 30-days prior written notice of payment." Likewise, "no disbursements or payments from the trust shall be made if the trustee receives prior written notice of objection from the NRC." Specifically, no thirty-day notifications have been made for either MPS 2 or 3 based on the decommissioning fund status report.

The trust agreements for both the qualified and non-qualified decommissioning trusts for MPS 2 and 3 incorporate these license conditions in a manner applying to all funds in the trusts. The trusts do not contain sub-accounts, and Dominion's internal accounting is for planning purposes. Such internal planning is not a part of the trustee's management or administration of the trusts and does not permit the trustee to make any payment or disbursement without the required NRC notifications.

In summary, no withdrawal or disbursement from the radiological decommissioning funds occurred. The radiological decommissioning fund status reported on March 29, 2007, simply provided an administrative accounting that apportioned total decommissioning fund in proportion to the percentage of radiological decommissioning costs in the most recent, independent, decommissioning cost estimate study. Based on this cost study, the decommissioning fund will be adequately funded for all aspects of decommissioning.

## **Discussion**

Under the provisions of the March 9, 2001, NRC Order that transferred the licenses for MPS 2 and 3 to DNC, all the accumulated decommissioning trust funds for MPS 2 and 3 were also to be transferred to DNC. These transferred funds represent co-mingled funding for radiological decommissioning, non-radiological decommissioning, spent nuclear fuel management, and Independent Spent Fuel Storage Installation decommissioning. Multiple license conditions associated with decommissioning funding were specifically added as part of license transfer. These license conditions include provisions requiring NRC notification prior to a payment from the trust or an amendment of the trust agreement as well as a provision to withhold payment subject to a formal NRC objection.

In the biennial decommissioning fund status report pursuant to 10 CFR 50.75, DNC was conservatively only reporting the portion of the total transferred decommissioning trust fund that was relative to the expected percentage of radiological decommissioning costs based on the latest decommissioning cost study (i.e., costs necessary to "remove the facility safely from service and reduce residual radioactivity to a level that permits release of the property for unrestricted use"). This approach reflects Dominion's understanding that (1) after permanent cessation of operations, actual expenditures

would be controlled under the submittals required by 10 CFR 50.54(bb) and 50.82; and (2) if the funding requirements for radiological decommissioning are met at that time, any excess amounts in the decommissioning trust would be available for spent nuclear fuel decommissioning and non-radiological decommissioning of the site. However, all decommissioning trust funds are held under the authority of the existing license conditions.

Reporting a percentage of total funds, correlated to the cost breakdown in the latest decommissioning cost estimate study, as the portion of the trust fund allocable to radiological decommissioning created the misperception that the funds had diminished. A more complete picture of the total trust fund under the provisions of the existing license condition is contained in the following table.

Site	Unit	March 2005 Filing			March 2007 Filing		
		Total 12/31/2004 Trust Fund Balance Subject To NRC Jurisdiction	Less Other Activities (For Internal Estimate Purposes Only) Pro-ration	Reported to NRC As of 12/31/2004 (Radiological Portion) Trust Fund Balance	Total 12/31/2006 Trust Fund Balance Subject To NRC Jurisdiction	Less Other Activities (For Internal Estimate Purposes Only) Pro-ration	Reported to NRC As of 12/31/2006 (Radiological Portion) Trust Fund Balance
MPS	2	\$315,295,136	\$1,245,757	\$314,049,379	\$361,432,609	\$88,113,694	\$273,318,915
MPS	3	\$329,380,445	\$8,304,845	\$321,075,600	\$376,344,844	\$91,158,598	\$285,186,246

The first column under both the March 2005 and March 2007 filings list the total trust fund balances by unit at the end of the year prior to the filing (e.g., 2005 filing = \$315.3MM for MPS 2, \$329.4MM for MPS 3 and 2007 filing = \$361.4MM for MPS 2, \$376.3MM for MPS 3). Note that both MPS 2 and 3 total trust fund balances increased over the two year reporting period.

The second column under both the March 2005 and March 2007 filings list the internally allocated portion of the total trust fund associated with decommissioning activities other than radiological decommissioning. This value was determined by applying the fractional proportion of the decommissioning cost study associated with activities other than radiological decommissioning to the total decommissioning trust fund. The significant change in estimates for this category is the result of utilizing a more detailed model and an independent assessor in developing the most recent cost study.

The third column under both the March 2005 and March 2007 filings list the portion of the total trust fund that was allocated to radiological decommissioning for internal accounting and planning purposes. This value was, likewise, determined by proportionally applying the fraction of the decommissioning cost study, which applies to radiological decommissioning, to the total trust fund. This column identifies what was reported to the NRC in the biennial filings of March 29, 2005 and March 29, 2007.

With respect to the decommissioning trust fund totals available for radiological decommissioning of MPS 2 and 3, the total trust fund balances are available and have grown, not decreased, between 2005 and 2007. The perceived decrease, as identified by the NRC, is a result of internal accounting allocations, not the result of withdrawals or disbursements (except those disbursements allowed for normal administrative and management fees). The total MPS 2 and 3 Trust Funds (Qualified & Non-Qualified for each unit) remain under NRC jurisdiction and are subject to all NRC restrictions governing decommissioning trust funds. The noted internal allocations of trust fund balances are solely for internal planning purposes to prudently evaluate and compare fund balances with the latest decommissioning estimates. All trust fund balances remain available for radiological decommissioning activities as defined by the NRC. Reporting the internally allocated value associated with radiological decommissioning rather than the value of the total trust fund was believed and intended to both correctly and conservatively represent and convey the actual performance of radiological decommissioning trust funds based on expected expenditures.