July 28, 2009

Mr. Thomas Gurdziel
9 Twin Orchard Drive
Oswego, NY 13126

SUBJECT: COST OF NEW COMMERCIAL NUCLEAR POWER PLANTS

Dear Mr. Gurdziel:

This is in response to your letter dated July 7, 2009, to the Chairman, which expressed concern about the cost of new nuclear power plants and asked for an estimate of "how much a new plant really can cost before inadequate cash flow leads to inadequate plant safety."

Your question raises the issue of the extent to which cost can affect safety. The U.S. Nuclear Regulatory Commission (NRC) has a regulatory approach which ensures safety, security and environmental protection. The primary processes are licensing, inspection, and enforcement. I will briefly outline how these processes provide assurance that safety remains adequate throughout the lifespan of the reactor, if licensed.

The licensing process requires a reactor license applicant to demonstrate that it has the technical and financial qualifications to safely build, operate, and decommission a reactor. The NRC staff's technical review ensures that all aspects of the application, such as, construction, equipment, fuel, staffing, operations, and decommissioning meet NRC safety requirements. This review considers whether the applicant has adequate sources of funds to cover the costs of meeting these requirements. In addition, the NRC includes a cost-benefit analysis (weighing, among other things, capital, operation, and maintenance costs) in environmental impact statements prepared under the National Environmental Policy Act. The NRC does not attempt to determine the upper limit of a plant's cost in relation to its cash flow. Rather, the NRC determines whether costs necessary to provide assurance of protection of public health and safety will be covered.

The NRC uses other processes to ensure that safety does not decline after a license is issued. NRC inspection programs ensure that the licensee remains in compliance with safety requirements. If non-compliance is identified, whether or not due to cash flow issues, the enforcement process is used to ensure that the licensee corrects its actions. For example, the NRC can order a licensee to shut down operations, if necessary, to achieve adequate safety.

Perhaps of particular interest to you is NRC guidance regarding the assessment of the adequacy of the financial analyses and information provided by applicants and licensees. This information is available in the NRC's "Standard Review Plan on Power Reactor Licensee Financial Qualifications and Decommissioning Assurance (NUREG-1577, Revision 1)." NUREG-1577, as well as the NRC regulations, can be viewed at the NRC's website: www.NRC.gov.

To summarize, the NRC licensing process ensures that a plant can be built and operated safely. NRC inspection and enforcement processes ensure ongoing compliance with operating and decommissioning assurance requirements.

I hope this clarifies the role of the NRC regarding the safety of new reactors.

Sincerely,

/RA Gary M. Holahan for/

Michael R. Johnson, Director
Office of New Reactors

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