

From: Simmons, Anneliese
Sent: Tuesday, April 05, 2011 10:32 AM
To: Simmons, Anneliese
Subject: Dan Williams Comments

Anneliese & Team,

I enjoyed it a lot!!!

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(If you want, you may forward this e-mail to others who might be interested in NRC procedural/policy change).

Some observations in no particular order -- in a "stream of conscience" format, and with direct candor. I hope you do not find my comments to be offensive, but here goes:

1. Industry has an incentive to do as little as possible, and to shift as much as possible of the risk onto third parties. It is the job of their well-paid executives to make you, the regulator, to require as little as possible. They get paid to be disingenuous if it reduces their costs and increases their profits. From what I saw, NEI is a "wholly owned subsidiary" of Exelon and the other companies -- they will not be objective. In the past, I have heard from others in this nuclear field that NRC is "far too easy" on the industry. You are the regulator -- what is the source of this (perceived on the outside) fear by NRC of the industry?
2. Your Regs are far too old. The NRC MINIMUM funding formula is based on a GENERIC decommissioning cost study from the early 1980s(?), updated biennially by a simplistic methodology. I heard that site-specific costing methods are probably much more accurate -- and often of a larger size. Why does it take you decades to change things? Exelon kept using YOUR OWN REGS as ammunition to fight you: (1) "fully funded now according to the NRC minimum cost formula"; (2), "you already permit funding PROMISES -- letters of credit, etc. -- in place of current cash funding in a trust fund -- and with a PV "discount" -- why should Parent Company Guarantees (PCGs) be any different???" ; and (3) "your two percentage point real rate of return assumption that NRC permits" -- my Monte Carlo (MC) results showed that this should NOT be an ASSUMPTION but should be a random variable (RV), or an implicit RV as in my MC analysis. Funding requirements could therefore be much higher (or perhaps lower, but I doubt it). But, given your Regs, they have good ammunition against you to make their criticisms of your current position that PV of a PCG should not be done. Anyway, why do you not require FULL yearly "benchmark" funding into the Trust Funds, and use "paper" guarantees only as a final backup in case of possible forecasting failures which can befall all of us "mice and men" -- Robert Browning??
3. Why did you ask GAO to talk about Monte Carlo methods vis a vis assessing decommissioning funding adequacy? GAO (i.e. moi) did not do that in its two previous studies in 1999 and 2003, respectively. These were SCENARIO analyses -- baseline, optimistic, & pessimistic. From what MarMar (GAO) told me on Wed, GAO will likely not do any comprehensive modeling update of these previous studies for their current Congressional request -- doing so would be very data/modeling intensive and would take too long to do in their timeframe permitted. Why did you not ask me to present? Ming Chen (GAO, San Francisco) talked about a MC analysis of Palalu and said she knew nothing about these nuclear issues -- MarMar told her to read my papers, but she did not even mention them in her presentation. To

my knowledge, nobody else other than me anywhere has done this research, nor does anyone other than NRC have an incentive to do so -- who would pay for it? The industry (e.g., Exelon and NEI) doesn't want anyone to "lift up any rocks and shine the light on the subject."

4. So, finally, does NRC have an interest in updating its costing and financial requirements procedures that are DECADES old?? I would be pleased to offer my services as a consultant to NRC to work with your team to do this type of MC modeling and other research. From a fixed cost perspective (i.e., once only use) it might take some time to train your staff, gather the data, and to do the modeling with your team. I would recommend a more robust data system than the one I used (e.g., I had to go into each of the 200 or so individual models to change any data). This is not sensible if one were to redo the modeling ("from scratch") and, most importantly, to regularly UPDATE the analysis every two years or so. Then, such a robust modeling approach would have real cost advantages by lowering unit costs -- i.e., spreading the development costs over many future NRC biennial updates.

5. Such analysis would be very beneficial to the future prestige of NRC, but the ball is in your court!! I'm a tennis player you know.

Thanks again.
Dan

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