



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

May 13, 2011

Mr. John T. Conway
Senior Vice President – Energy Supply
and Chief Nuclear Officer
Pacific Gas and Electric Company
Diablo Canyon Power Plant
77 Beale Street, Mail Code B32
San Francisco, CA 94105

SUBJECT: DIABLO CANYON POWER PLANT, UNIT NOS. 1 AND 2 – 2011
DECOMMISSIONING FUNDING STATUS REPORT – REQUEST FOR
ADDITIONAL INFORMATION (TAC NOS. ME5476 AND ME5477)

Dear Mr. Conway:

By letter dated March 31, 2011 (Agencywide Documents Access and Management System (ADAMS) Accession No. ML110900672), Pacific Gas and Electric Company submitted to the U.S. Nuclear Regulatory Commission (NRC) the 2011 Decommissioning Funding Status report for Diablo Canyon Power Plant, Unit Nos. 1 and 2, as required under Title 10 of the *Code of Federal Regulations* (10 CFR) paragraph 50.75(f)(1).

The NRC staff has reviewed the information provided in your application and determined that the following additional information is required in order to complete its review. This request for additional information was discussed with Mr. Philippe Soenen of your staff on May 11, 2011, and it was agreed that a response would be provided within 30 days of receipt of this letter. If circumstances result in the need to revise the requested response date, please contact me at (301) 415-1445 or via e-mail at alan.wang@nrc.gov.

Sincerely,

A handwritten signature in black ink that reads "Alan Wang".

Alan B. Wang, Project Manager
Plant Licensing Branch IV
Division of Operating Reactor Licensing
Office of Nuclear Reactor Regulation

Docket Nos. 50-275 and 50-323

Enclosure:
As stated

cc w/encl: Distribution via Listserv

REQUEST FOR ADDITIONAL INFORMATION
2011 DECOMMISSIONING FUNDING STATUS REPORT
PACIFIC GAS AND ELECTRIC COMPANY
DIABLO CANYON POWER PLANT, UNIT NOS. 1 AND 2
DOCKET NOS. 50-275 AND 50-323

By letter dated March 31, 2011 (Agencywide Documents Access and Management System (ADAMS) Accession No. ML110900672), Pacific Gas and Electric Company (PG&E, the licensee) submitted to the U.S. Nuclear Regulatory Commission (NRC) the 2011 Decommissioning Funding Status (DFS) report for Diablo Canyon Power Plant (DCPP), Unit Nos. 1 and 2, as required under Title 10 of the *Code of Federal Regulations* (10 CFR) paragraph 50.75(f)(1). The NRC staff has reviewed the information provided in your application and determined that the following additional information is required in order to complete its review.

RAI 1: Minimum Decommissioning Financial Assurance (DFA) calculation:

Please provide the basis for the burial factor used in calculating the minimum requirement for DFA and, if necessary, a corrected submittal for that part of the DFS report.

By letter dated March 31, 2011, PG&E reported the amounts of decommissioning funds for DCPP, Units 1 and 2, estimated to be required under 10 CFR 50.75(b) and (c), greater than the amount calculated by the NRC staff. Within its DFS report submittal, PG&E used the Direct Disposal factor (27.292), calculated the factor to 2011 by applying the average percent change between 2008 and 2010 and applying to the 2008 base factor, and restated the 2011 factor to 1986 (16.8999), which is not a current value within NUREG-1307, "Report on Waste Burial Charges: Changes in Decommissioning Waste Disposal Costs at Low-Level Waste Burial Facilities," Rev. 14 (ADAMS Accession No. ML103220151).

NUREG-1307, page IV, states, in part, that:

For plants that have no disposal site available for LLW [low-level waste] (e.g., plants not located within the Atlantic, Northwest, and Rocky Mountain Compacts), NUREG-1307, Rev. 14 assumes the costs for disposal is the same as that provided for the Atlantic Compact, for lack of a better alternative at this time.

According to 10 CFR 50.75(f)(1), the amount provided in the DFS report should be "the amount of decommissioning funds estimated to be required under 10 CFR 50.75(b) and (c)."

Enclosure

RAI 2: After-tax decommissioning funds as of December 31, 2010:

Please indicate if the amount of decommissioning funds identified within the DFS report for DCPD are the after-tax amounts of decommissioning funds accumulated through December 31, 2010. If not, please provide the after-tax amounts of decommissioning funds accumulated through December 31, 2010.

On March 31, 2011, PG&E reported the amounts of decommissioning funds accumulated as of December 31, 2010, for DCPD but did not indicate if the amounts stated were the before or after-tax balances.

The provisions of 10 CFR 50.75(f)(1) and (2) require the licensee to report the amount of funds accumulated to the end of the calendar year preceding the report.

RAI 3: Citation for real rate of return:

Please provide the citation (e.g., an Order by the rate-regulatory authority) by the regulatory entity that allows for the assumptions used regarding rates of escalation in decommissioning costs, rate of earnings on decommissioning funds, and rates of other factors assumed within PG&E's DFS report for DCPD. Also, please include the rate of earnings on the decommissioning funds and annual real rate of return, and confirm if the real rate of return is allowed by PG&E's regulatory authority for both the annual collections as well as the decommissioning trust funds for DCPD.

While PG&E's DFS report provides variable escalation rates for DCPD from 2010 through 2025, the rate of earnings and real rate of return on decommissioning funds were not provided within the DFS report.

As stated in 10 CFR 50.75(f)(1):

the information in [the DFS] report must include [. . .] the assumptions used regarding rates of escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections. . .

RAI 4: Summary of annual expenses:

Please provide a summary schedule of annual expenses, projected earnings, and end-of-year fund balances in 2010 dollars, for radiological decommissioning regarding the site-specific cost estimate of DCPD, in order for the NRC staff to evaluate the amount of earnings credit available during the decommissioning period.

Within its DFS report, PG&E included a site-specific cost estimate (SSCE) that was escalated into 2011 dollars for DCPD, Units 1 and 2, but did not include a summary schedule of annual expenses, projected earnings, and end-of-year fund balances.

Per 10 CFR 50.75(e)(1)(i) and (ii), the licensee must specifically describe the safe storage period in order to take credit for projected future earnings when it uses a site-specific estimate as the basis for using the prepayment or external sinking fund methods of financial assurance.

RAI 5: Site-specific study – DCP, Unit No. 2:

Please clarify why the site-specific cost estimate for DCP, Unit No. 2 is less than the minimum decommissioning financial assurance amount calculated by PG&E for radiological decommissioning.

Within its DFS report, PG&E stated that the minimum decommissioning amount for DCP, Unit No. 2 is \$580.3 million, which was calculated pursuant to the requirements specified under 10 CFR 50.75(c). However, based on site-specific cost estimates prepared by TLG Services, Inc., and the NDCTP Decision, PG&E estimated that the decommissioning cost for DCP, Unit No. 2 is approximately \$546.5 million.

As stated under 10 CFR 50.75(b)(1):

[f]inancial assurance for decommissioning will be [. . .] provided in an amount which may be more, but not less than the amount stated in the table in paragraph (c)(1) . . .

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/RA/

Alan B. Wang, Project Manager
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