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President and Chief Nuclear Officer  
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**Dominion**<sup>®</sup>

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June 14, 2011

United States Nuclear Regulatory Commission  
Attention: Document Control Desk  
Washington, D. C. 20555-0001

Serial No. 11-301  
NL&OS/TJS R3  
Docket Nos. 50-280, 281  
50-338, 339  
50-336, 423  
50-305  
License Nos. DPR-32, 37  
NPF-4, 7  
DPR-65  
NPF-49  
DPR-43

**VIRGINIA ELECTRIC AND POWER COMPANY**  
**DOMINION NUCLEAR CONNECTICUT, INC.**  
**DOMINION ENERGY KEWAUNEE, INC.**  
**SURRY POWER STATION UNITS 1 AND 2**  
**NORTH ANNA POWER STATION UNITS 1 AND 2**  
**MILLSTONE POWER STATION UNITS 2 AND 3**  
**KEWAUNEE POWER STATION**  
**DECOMMISSIONING FUNDING STATUS REPORT: RESPONSE TO REQUEST FOR**  
**ADDITIONAL INFORMATION (NRC TAC NOS. ME5540, ME5541, ME5506, ME5507, ME5501,**  
**ME5502, AND ME5494)**

On March 29, 2011, Virginia Electric and Power Company (Dominion), Dominion Nuclear Connecticut, Inc. (DNC) and Dominion Energy Kewaunee, Inc. (DEK), submitted to the Nuclear Regulatory Commission (NRC) the 2011 Decommissioning Funding Status (DFS) report for Surry Power Station, Units 1 and 2, North Anna Power Station, Units 1 and 2, Millstone Power Station, Units 2 and 3, and Kewaunee Power Station, as required under Title 10 of the Code of Federal Regulations (10 CFR) Section 50.75(f)(1). On May 16, 2011, Dominion, DNC and DEK received a final set of Requests for Additional Information (RAIs) associated with the March 29, 2011 DFS report submittal. These RAIs, and Dominion's responses, are attached.

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

Sincerely,

David A. Heacock  
President and Chief Nuclear Officer Dominion Nuclear  
Virginia Electric and Power Company  
Dominion Nuclear Connecticut, Inc.  
Dominion Energy Kewaunee, Inc.

Attachment

Commitments made in this letter: None

cc: U. S. Nuclear Regulatory Commission  
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NRC Senior Resident Inspector  
North Anna Power Station

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Millstone Power Station

NRC Senior Resident Inspector  
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**Attachment**

**Serial No. 11-301**

**DECOMMISSIONING FUNDING STATUS REPORT: RESPONSE TO REQUEST FOR  
ADDITIONAL INFORMATION**

**Surry Power Station Units 1 and 2  
North Anna Power Station Units 1 and 2  
Virginia Electric and Power Company  
Millstone Power Station Units 2 and 3  
Dominion Nuclear Connecticut, Inc.  
Kewaunee Power Station  
Dominion Energy Kewaunee, Inc.**

**RAI #1: Basis for real rate of returns:**

**DEK:**

Provide the basis for the assumptions used regarding rates of escalation in decommissioning costs, rates earnings on decommissioning funds, and rates of other factors assumed in the DFS report.

On March 29, 2011, DEK reported a 2 percent real rate of return on its decommissioning trust fund for Kewaunee Power Station.

**Dominion and DNC:**

Provide 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. Also, provide the citation (e.g., an Order by the rate-regulatory authority) by the regulatory entities that allows for the assumptions used. If necessary, please submit a corrected submittal.

On March 29, 2011, Dominion reported a 2 percent real rate of return on its decommissioning trust funds for its share in North Anna 1 and 2 and for Surry 1 and 2. DNC reported a 2 percent real rate of return on its decommissioning trust funds for Millstone 2 and 3. However, Dominion and DNC did not provide their assumptions for escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections, or their citations (e.g., an Order) by the regulatory entities that allows for their assumptions.

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

[T]he 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 #1 Response:**

As reported in the March 29, 2011 Decommissioning Funding Status (DFS) report, a 2 percent real rate of return was assumed in projections for the decommissioning trust funds for the company's share of North Anna Unit 1 and 2, Surry Unit 1 and 2, Millstone Unit 2 and 3 and Kewaunee Power Station. The basis for this assumption is 10 CFR 50.75(e)(1), which permits use of a 2 percent real rate of return.

The table of minimum amounts and adjustment factors identified in 10 CFR 50.75(c) was used to compute minimum formula amounts as of December 31, 2010 for each unit. The 2 percent real rate of return was then applied to the applicable Trust funds to the date of permanent termination of operations applicable to the subject unit. In addition, the financial projection includes a pro-rata credit during the dismantlement period as permitted by 10 CFR 50.75(e)(1)(ii). The application of the 2 percent real rate of return to only the applicable trust funds precludes the need to apply escalation to the decommissioning cost.

As for the use of other regulatory assumptions, there are currently no regulatory entity orders for Surry or North Anna Power Station for a fund growth rate greater than the 2 percent real rate of return.

**RAI #2: Reporting requirements:**

Indicate if there are contracts upon which the licensees are relying under paragraph 10 CFR 50.75(e)(1)(v) and if there were any modifications to the licensees' current method of providing financial assurance since the last submitted report.

In the DFS report submitted on March 29, 2011, the licensees provided information required under 10 CFR 50.75(f)(1), but did not indicate if there are any contracts upon which they are relying upon or if there were any modifications occurring to the licensees' current method of providing financial assurance since the last submitted report.

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

[T]he information in [the DFS] report must include [. . .] any contracts upon which the licensee is relying under paragraph (e)(1)(v) of this section; any modifications occurring to a licensees current method of providing financial assurance since the last submitted report. . .

**RAI #2 Response:**

Dominion, DNC and DEK are not relying on any contracts as defined under 10 CFR 50.75(e)(1)(v). There have been no modifications to the current method of providing financial assurance since the last submitted report on March 29, 2011.

**RAI #3: Annual Contributions:**

Dominion:

Indicate whether the current annual contributions identified in the DFS report for North Anna 1 and 2 and Surry 1 and 2 are the annual decommissioning contributions for radiological decommissioning. If not, provide a breakdown of the annual decommissioning contributions that will be accumulated for only radiological decommissioning costs. Also, provide a schedule of the annual decommissioning contributions remaining to be collected.

Within the DFS report, Dominion included the annual funding levels, but did not indicate if the annual funding levels include contributions towards non-radiological decommissioning costs, or provide a schedule of the annual amounts remaining to be collected.

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

[T]he information in [the DFS] report must include [. . .] a schedule of the annual amounts remaining to be collected. . .

**RAI #3 Response:**

As of the end of 2010, the total annual collections for Surry Unit 1, Surry Unit 2, North Anna Unit 1 and North Anna Unit 2 are \$0.60 million, \$0.65 million, \$0.36 million, and \$0.34 million respectively. These collections are based on current decommissioning cost estimates in which radiological decommissioning costs comprise, with respect to Surry Unit 1, Surry Unit 2, North Anna Unit 1, and North Anna Unit 2, 72.3%, 73.7%, 74.2%, and 74.8% respectively. Accordingly, the amount of annual collection allocable to radiological decommissioning for each unit in 2010 is \$0.43 million, \$0.48 million, \$0.27 million, and \$0.25 million, respectively. While Dominion expects contributions to continue, there is no fixed schedule assuring specific collection levels in future years. Rather, Dominion's collections and the percentage allocated

to radiological decommissioning are subject to change by ratemaking authorities, based on periodic updates to decommissioning cost estimates and other regulatory considerations.

**RAI #4: After-tax decommissioning funds as of December 31, 2010:**

Indicate if the amounts of decommissioning funds that are identified within the DFS report are the after-tax amount of funds accumulated through December 31, 2010. If not, provide the after-tax amount of decommissioning funds accumulated through December 31, 2010.

Within the DFS report, the licensees provided the amounts of funds in the trust as of 12/31/2010, 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 #4 Response:**

The December 2010 decommissioning trust fund balances reported in the DFS are after-tax balances in that taxes on 2010 taxable earnings have been paid out of the trust funds. The trust fund balances have not been adjusted for unrealized gain or loss positions not currently taxable. Such unrealized gains or losses and associated tax liability, if any, are minimized over time as the unit approaches the date of permanent cessation of operations through asset reallocations to fixed income investment instruments and other types of investments that serve to minimize or eliminate the tax liability.