

July 26, 2012

Mr. John Christian, President, ZionSolutions LLC
EnergySolutions
1750 Tysons Boulevard, Suite 1500
McLean, VA 22102

SUBJECT: ZION NUCLEAR POWER STATION, UNITS 1 AND 2 -2012
DECOMMISSIONING FUNDING STATUS REPORT – REQUEST FOR
ADDITIONAL INFORMATION

Dear Mr. Christian:

On March 26, 2012, ZionSolutions, LLC (ZS) submitted to the U.S. Nuclear Regulatory Commission the 2012 Decommissioning Funding Status report for Zion Nuclear Power Station (ZNPS), Units 1 and 2, as required under 10 CFR 50.75(f)(1). In order to complete our review of your Decommissioning Funding Status report we require additional information as detailed in the enclosure. Please provide a response to our request for additional information within 45 days from the date of this letter.

Sincerely,

/RA/

John B. Hickman, Project Manager
Reactor Decommissioning Branch
Decommissioning and Uranium Recovery
Licensing Directorate
Division of Waste Management
and Environmental Protection
Office of Federal and State Materials and
Environmental Management Programs

Docket Nos.: 50-295 and 50-304
License Nos.: DPR-39 and DPR-49

Enclosure: Request for Additional Information

cc: w/enclosures:
Zion Service List

John Christian, President, ZionSolutions LLC
EnergySolutions
1750 Tysons Boulevard, Suite 1500
McLean, VA 22102

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DECOMMISSIONING FUNDING STATUS REPORT - REQUEST FOR
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Dear Mr. Christian:

On March 26, 2012, ZionSolutions, LLC (ZS) submitted to the U.S. Nuclear Regulatory Commission the 2012 Decommissioning Funding Status report for Zion Nuclear Power Station (ZNPS), Units 1 and 2, as required under 10 CFR 50.75(f)(1). In order to complete our review of your Decommissioning Funding Status report we require additional information as detailed in the enclosure. Please provide a response to our request for additional information within 45 days from the date of this letter.

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Distribution: CLipa, RIII

SHarwell, NRR

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DATE	07/26/12	07/26/12	07/26/12	07/26/12

OFFICIAL RECORD COPY

Zion Nuclear Power Station, Units 1 and 2 Service List

cc: w/enclosures

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Mayor of Zion
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REQUEST FOR ADDITIONAL INFORMATION
2012 DECOMMISSIONING FUNDING STATUS REPORT
FOR ZIONSOLUTIONS, LLC

On March 26, 2012, ZionSolutions, LLC (ZS) submitted to the U.S. Nuclear Regulatory Commission (NRC) the 2012 report for Zion Nuclear Power Station (ZNPS), Units 1 and 2, as required under Title 10 of the Code of Federal Regulations (10 CFR) 50.75(f)(1) under Agencywide Documents Access and Management System (ADAMS) Accession No. ML12090A005. The following requests for additional information (RAIs) are in response to that submittal.

Additionally, the staff has provided additional requests for information (RFIs) concerning the June 15, 2012, Standard and Poor's Rating Services corporate credit rating downgrade for EnergySolutions Inc. (ES) and the June 30, 2012, Chicago Tribune article titled, "Company charged with dismantling Zion nuclear plant struggling financially."

RAI #1: Decommissioning Costs

Provide the amount of decommissioning funds estimated to be required based on the formula from 10 CFR 50.75(b) and (c) for ZNPS Units 1 and 2.

On March 26, 2012, ZS provided the following radiological decommissioning costs associated with license termination for ZNPS:

Required Minimum at December 31, 2011 (A)	\$641,286,000
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The required minimum funding assurance amount is based on the decommissioning scenario from the site-specific decommissioning cost estimate provided in Reference 3. The cost estimate reflects actual experience to date, as well as, refinements made through the date of this filing.

Per 10 CFR 50.75(f)(1),

the information in this report must include, at a minimum the amount of decommissioning funds estimated to be required under 10 CFR 50.75(b) and (c).

RAI #2: Citation for Site-Specific Study

Provide the most recent site specific cost estimate for ZNPS, unless it was previously submitted to NRC. If the cost estimate was previously submitted to NRC, then provide a reference to its submittal. The site specific cost estimate should include a summary schedule of annual expenses, projected earnings, and end-of-year fund balances, expressed in 2011 dollars.

Pursuant to 10 CFR 50.75(b), the cost estimate shall be in an amount that may be more, but not less, than the amount estimated to be required under 10 CFR 50.75(b) and (c).

Enclosure

On March 26, 2012, ZS indicated the following:

The required minimum funding assurance amount is based on the decommissioning scenario from the site-specific decommissioning cost estimate provided in Reference 3. The cost estimate reflects actual experience to date, as well as, refinements made through the date of this filing.

Per 10 CFR 50.75(f)(1),

the information in this report must include, at a minimum the amount of decommissioning funds estimated to be required under 10 CFR 50.75(b) and (c).

RFI #1: EnergySolutions, Inc. Credit Rating Downgrade

State the current and future impact of the S&P downgrade of the ES corporate credit rating to 'B' on ZS.

On June 15, 2012, S&P lowered its corporate credit rating on ES and its subsidiaries to 'B' from 'BB-'.

Per 10 CFR 50.75(a),

This section establishes requirements for indicating to NRC how a licensee will provide reasonable assurance that funds will be available for the decommissioning process. For power reactor licensees, reasonable assurance consists of a series of steps as provided in paragraphs (b), (c), (e), and (f) of this section.

RFI #2: EnergySolutions, Inc. Credit Rating Downgrade

State the current and future impact of the S&P downgrade of the ES corporate credit rating to 'B' on the following:

- The Irrevocable Letter of Credit (LOC) in the amount of \$200 million established by EnergySolutions, LLC for the decommissioning of ZNPS, Units 1 and 2;
- The ability of EnergySolutions to obtain renewals and continue to pay the fees for the \$200 million LOC; and
- The Irrevocable Easement for Disposal Capacity of 7.5 million cubic feet at the Clive, Utah facility, established by EnergySolutions, LLC for the decommissioning of ZNPS, Units 1 and 2.

On January 25, 2008, Exelon Generation Company, LLC (EGC) and ZS submitted an application requesting that the NRC consent to the transfer of EGC's Facility Operating

Licenses for ZNPS, Units 1 and 2. (ADAMS Accession No. ML080310521). As stated in the Safety Evaluation Report (Accession No. ML090930063), the additional measures were integral parts of the NRC staff's finding that ZS was financially qualified to hold the licenses for ZNPS as proposed. The measures were subsequently made conditions to the license transfer in the Order dated May 4, 2009, approving the transfer of licenses and conforming amendment in the matter of ZNPS, Units 1 and 2 (Accession No. ML090930039).

The NRC staff is concerned that a negative credit rating for ES could adversely affect ES' ability to fulfill its financial obligations related to the decommissioning of ZNPS. Among these concerns is a S&P statement, found in a Reuters press release dated June 12, 2012, that, "Although the former management [of ES] expressed optimism that a plan of action regarding the release of a \$200 million cash-collateralized letter of credit related to the company's Zion decommissioning project was likely to be realized in 2012, it now appears that such resolution could be delayed." As stated, the additional financial assurance arrangements, and the financial viability of ES, were directly related to the approval of the transfer of licenses for ZNPS, Units 1 and 2.

Per 10 CFR 50.75(a),

This section establishes requirements for indicating to NRC how a licensee will provide reasonable assurance that funds will be available for the decommissioning process. For power reactor licensees, reasonable assurance consists of a series of steps as provided in paragraphs (b), (c), (e), and (f) of this section.

RFI #3: EnergySolutions, Inc. Credit Rating Downgrade

State the current and future impact of the S&P downgrade of the ES corporate credit rating to 'B' on the Performance Guaranty provided to EGC for all obligations of ZS.

On January 25, 2008, EGC and ZS submitted an application requesting that the NRC consent to the transfer of EGC's Facility Operating Licenses for ZNPS, Units 1 and 2 (Accession No. ML080310521). The application stated that EnergySolutions and its parent, EnergySolutions, Inc, each provided a Performance Guaranty to EGC of the payment and performance, when due, of all obligations of ZS.

Per 10 CFR 50.75(a),

This section establishes requirements for indicating to NRC how a licensee will provide reasonable assurance that funds will be available for the decommissioning process. For power reactor licensees, reasonable assurance consists of a series of steps as provided in paragraphs (b), (c), (e), and (f) of this section.

RFI #4: Decommissioning Trust Fund Amount

Provide the total amount of funds accumulated in the decommissioning trust fund for ZNPS, Units 1 and 2, including all the funds allocated for non-NRC dedicated activities.

On March 26, 2012, ZS reported the following in relation to the Decommissioning Trust Fund (DTF) balance for ZNPS, Units 1 and 2:

Trust Fund Amount at December 31, 2011:	\$650,957,000
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“The trust fund amount is the amount allocated for Radiological Decommissioning only, and does not include the allocation for dismantling nonradiological systems and structures and other non-radiological site restoration based on the decommissioning cost estimate.”

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.

RFI #5: Decommissioning Trust Fund Amount

Provide the amount needed to complete decommissioning and compare it to the available funds in the decommissioning trust.

A news report obtained by the staff states: “In addition, the company has indicated that the returns on the 10-year project are not likely to exceed the company's capital costs.” Does the statement mean that ZionSolutions expects that its costs will exceed the available funds from the decommissioning trust? In the event that the decommissioning trust fund is not able to cover the cost to complete decommissioning, how does ZS plan to meet its obligation to maintain the site in a safe condition?

The provisions of Title 10 of the *Code of Federal Regulations* (10 CFR) 50.82(a)(8)(i)(C) state: The withdrawals would not inhibit the ability of the licensee to complete funding of any shortfalls in the decommissioning trust needed to ensure the availability of funds to ultimately release the site and terminate the license.

RFI #6: Decommissioning Trust Fund

Explain the accounting treatment of the ZNPS Nuclear Decommissioning Trust Funds with respect to ZS, EGC, and any other parties with an interest in the fund. Name the beneficiary, guarantor, and trustee of the ZNPS Nuclear Decommissioning Trust Funds. State the title and ownership interests of ZS, EGC, and any other parties with an interest in the ZNPS Nuclear Decommissioning Trust Funds, and provide citations to support the statement.

On February 17, 2011, in accordance with 10 CFR 50.75(b)(4), ZS submitted the required Decommissioning Trust Fund Agreements for ZNPS, Units 1 and 2. In each trust agreement (the Non-Tax Qualified Nuclear Decommissioning Master Trust Agreement, the Tax-Qualified Nuclear Decommissioning Master Trust Agreement, and the Backup Nuclear Decommissioning Trust Agreement), it states the following:

WHEREAS, pursuant to that Asset Sale Agreement dated as of December 11, 2007, by and among Exelon Generation Company, LLC (“ExGen”), ZionSolutions, and ZionSolutions’ parent entities, EnergySolutions, LLC, and EnergySolutions, Inc. (as amended, the “Asset Sale Agreement”) Ex Gen has agreed, subject to the terms and conditions of the Asset Sale Agreement, to sell, assign, convey, transfer and deliver all of its right, title and interest in the Zion Assets (as defined in the Asset Sale Agreement) to ZionSolutions, and ZionSolutions has agreed, subject to the terms and conditions of the Asset Sale Agreement, to assume and discharge the assumed Liabilities (as defined in the Asset Sale Agreement);

The language presented here and throughout the provisions of the trust agreements suggest that ZS has exclusive control of the fund, if not ownership. However, in February 2012, EGC filed a 10-K for the year 2011 with the U.S. Securities and Exchange Commission, which appears to contain contradictory language.

The 10-K states, among other things, the following:

ZionSolutions is subject to certain restrictions on its ability to request reimbursements from the Zion Station NDT [nuclear decommissioning trust] funds as defined within the ASA. Therefore, the transfer of the Zion Station assets did not qualify for asset sale accounting treatment and, as a result, the related NDT funds were reclassified to pledged assets for Zion Station decommissioning within Generation’s and Exelon’s Consolidated Balance Sheets and will continue to be measured in the same manner as prior to the completion of the transaction. Additionally, the transferred ARO for decommissioning was replaced with a payable to ZionSolutions in Generation’s and Exelon’s Consolidated Balance Sheets. Changes in the value of the Zion Station NDT assets, net of applicable taxes, will be recorded as a change in the payable to ZionSolutions. At no point will the payable to ZionSolutions exceed the project budget of the costs remaining to decommission Zion Station. Any Zion Station NDT funds remaining after the completion of all decommissioning activities will be returned to ComEd customers.

This language suggests that Exelon retains some amount of title and ownership interests in the decommissioning trust fund.

Per 10 CFR 50.75(a),

This section establishes requirements for indicating to NRC how a licensee will provide reasonable assurance that funds will be available for the decommissioning process. For power reactor licensees, reasonable assurance consists of a series of steps as provided in paragraphs (b), (c), (e), and (f) of this section.

RFI #7: Decommissioning Trust Fund Amount

Has EGC denied disbursement of decommissioning trust funds to ZS?

Per 10 CFR 50.75(a),

This section establishes requirements for indicating to NRC how a licensee will provide reasonable assurance that funds will be available for the decommissioning process. For power reactor licensees, reasonable assurance consists of a series of steps as provided in paragraphs (b), (c), (e), and (f) of this section.

RFI #8: Spent Fuel Management

How does ZionSolutions plan to meet its obligation to manage spent fuel safely until the fuel is transferred to the Secretary of Energy for its ultimate disposal in a repository?

10 CFR 50.54(bb) states, in part: For nuclear power reactors licensed by the NRC, the licensee shall, within 2 years following permanent cessation of operation of the reactor or 5 years before expiration of the reactor operating license, whichever occurs first, submit written notification to the Commission for its review and preliminary approval of the program by which the licensee intends to manage and provide funding for the management of all irradiated fuel at the reactor following permanent cessation of operation of the reactor until title to the irradiated fuel and possession of the fuel is transferred to the Secretary of Energy for its ultimate disposal in a repository. Licensees of nuclear power reactors that have permanently ceased operation by April 4, 1994 are required to submit such written notification by April 4, 1996. Final Commission review will be undertaken as part of any proceeding for continued licensing under part 50 or part 72 of this chapter. The licensee must demonstrate to NRC that the elected actions will be consistent with NRC requirements for licensed possession of irradiated nuclear fuel and that the actions will be implemented on a timely basis.

RFI #9:

What profit margin (as a percentage and in dollars) was built into the decommissioning cost estimate for ZNPS submitted by ZS in the license transfer application, as supplemented, dated January 25, 2008? How does the profit margin built into the decommissioning cost estimate for ZNPS compare to other commercial nuclear reactor decommissioning projects? What, if any, additional costs were decreased to achieve the decommissioning cost estimate submitted by ZS?

On June 30, 2012, the Chicago Tribune released an article titled, "Company charged with dismantling Zion nuclear plant struggling financially." In the article the author states that, among other things, "In March, EnergySolutions revealed that it underestimated by about \$100 million the cost to dismantle Zion piece by piece, and ship the material to Utah for disposal."

Per 10 CFR 50.75(a),

This section establishes requirements for indicating to NRC how a licensee will provide reasonable assurance that funds will be available for the decommissioning process. For power reactor licensees, reasonable assurance consists of a series of steps as provided in paragraphs (b), (c), (e), and (f) of this section.