



U.S. Nuclear Regulatory Commission Office of Nuclear Reactor Regulation **NRR OFFICE INSTRUCTION**

Change Notice

Office Instruction No.: LIC-205, Revision 5

Office Instruction Title: Procedures for NRC's Independent Analysis of Decommissioning Funding Assurance for Operating Nuclear Power Reactors

Effective Date: January 16, 2015

Approved By: William M. Dean

Approved Date: January 13, 2015

Primary Contacts: Michael Purdie
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Responsible Organization: NRR/DIRS

Summary of Changes: This is the fifth revision of LIC-205, Procedures for NRC's Independent Analysis of Decommissioning Funding Assurance for Operating Nuclear Power Reactors. This office instruction defines and documents how the staff performs its independent analysis of each operating power reactor licensee's decommissioning funding status (DFS) report. The staff's independent analysis determines whether licensees have provided reasonable assurance that sufficient funding for radiological decommissioning will be available for each operating power reactor at the time permanent termination of operations is expected. This revision reflects lessons learned from the review of the 2011 and 2013 DFS reports. Appendix A, Change History, identifies the method used to announce and distribute LIC-205. Appendix H, Spot Check Program, has been added to incorporate Commission direction to perform Spot Check reviews.

Training: Self-study by staff performing financial reviews.

ADAMS Accession No.: ML14281A764



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NRR OFFICE INSTRUCTION
LIC-205, Revision 5
Procedures for NRC's Independent Analysis of Decommissioning Funding Assurance for
Operating Nuclear Power Reactors

1. POLICY

The U. S. Nuclear Regulatory Commission (NRC) conducts a timely and independent analysis of nuclear power reactor licensee(s)' reports, required by 10 CFR 50.75(f)(1), on the status of decommissioning funding assurance for each operating nuclear power reactor or part of a reactor owned by licensees. These reports, which were initially submitted by March 31, 1999 and are to be submitted, by March 31, at least once every two years thereafter, reflect funding assurance data as of the end of the preceding calendar year (the reporting year). For a plant that is within five years of the projected end of its operation, or where conditions have changed such that it will be closed within five years or has already closed, or for plants involved in mergers or acquisitions, this report shall be submitted annually. The staff performs an independent analysis of each of these reports for operating plants to determine whether licensees have provided reasonable assurance that sufficient funding for radiological decommissioning of the reactor will be available at the time permanent termination of operation is expected. This assurance is referred to herein as decommissioning funding assurance (DFA).

2. OBJECTIVES

This office instruction defines, documents, and standardizes the process by which the staff performs an independent DFA analysis of the decommissioning funding status reports, thereby improving efficiency, effectiveness, consistency, and timeliness in determining the extent to which licensees provide reasonable assurance that adequate funding will be available for radiological decommissioning of operating power reactors at the time permanent termination of operation is expected.

3. BACKGROUND

Based on the staff's analysis of the decommissioning funding status (DFS) reports submitted in recent reporting cycles, the staff conducts a lessons learned exercise after the completion of their DFS reports reviews. The lessons-learned conducted following the completion of the March 31, 2011 and March 31, 2013 DFS reports reviews, resulted in the development of LIC-205, Rev. 4, "Procedures for NRC's Independent Analysis of Decommissioning Funding Assurance for Operating Nuclear Power Reactors."

4. BASIC REQUIREMENTS

All operating power reactor licensees are required to submit DFS reports pursuant to 10 CFR 50.75(f)(1). The staff has the responsibility for analyzing DFS reports and informing the Commission in a timely manner of any staff concerns related to the results of the analysis. This procedure identifies 11 steps in the staff's analysis of the DFS reports for operating reactors. Appendix G, "Decommissioning Funding Status Report Milestone Table," presents the timeline for milestones in the DFS report process. Historic DFS report analysis for each plant with

calculations can be found in the NRC's Agencywide Document Access and Management System (ADAMS).

Step 1: Training for Decommissioning Funding Status Reports

Prior to the start of the staff's analysis, the Financial Analysis and International Projects Branch (IFIB) financial analysts and quality assurance (QA) reviewer(s), IFIB's lead financial analyst selected to lead this effort, and the IFIB Branch Chief (BC), will hold training session(s) to discuss the independent analysis process and the QA audit procedures. A training coordinator may also be selected for this effort. To perform a proper review, it is essential that the financial analyst has a complete understanding of the LIC-205 review process. A detailed training program is located in Appendix B. The IFIB BC also will appoint a member of the branch as the budget coordinator to ensure that all work is documented and charged to the correct Technical Assignment Code (TAC) number.

Step 2: Coordination with Offices

Prior to the licensees' DFS submittals in March of every odd year for biennial reviews and annually for reactors subject to the annual reporting requirement, the lead financial analyst or the IFIB BC will meet with the Division of Operating Reactor Licensing (DORL) BCs. Before the meeting, the Office of the General Counsel (OGC) point of contact (POC) should also be identified and informed of the upcoming reviews.

The lead financial analyst must present the following information to the BCs:

- Internal Contacts

The lead financial analyst will serve as the POC for the financial analysts in relation to information and data for the DFS report process. Also, the OGC POC and the budget coordinator should be identified during the meeting.

- Budget

The IFIB lead financial analyst should state that a unique TAC number must be opened for each nuclear reactor to be reviewed. Also, two generic TACs should be opened: one TAC number should be opened during the odd year and one TAC number should be opened during the even year. One generic TAC should be opened in relation to the QA review, and the other should be for any generic issues or communications that must be developed during the review. The presenter, consulting with the budget coordinator beforehand, will state which PA code the TACs will be opened under and whether the lead financial analyst or the DORL project manager (PM) will be responsible for opening the TACs.

During the review of the DFS reports, the budget coordinator will periodically communicate with the DORL BCs and DORL Technical Assistant regarding the level of effort associated with the review, status of the review, and when the review has been completed.

- Communication with Licensees

All communication with the licensees should be done through the DORL PM. While performing the review, if the financial analyst needs to send a request for additional information (RAI), the financial analyst will draft the RAI (see Appendix D), which will be transmitted by memorandum from the IFIB BC to the BC of the responsible DORL branch for the reactor in question and will include the DORL PM on distribution. After transmitting the letter to DORL, the DORL PM will ensure that the letter is officially sent to the licensee within a goal of 15 working days of the date of the transmittal letter. Note that communications with licensees that result from NRC-generated RAI(s) may require involvement with the OGC POC; particularly if the licensee's general counsel is involved in such communications.

After completion of the meeting, the lead financial analyst must document the meeting by sending an e-mail to his or her immediate supervisor. The documentation must include the date, a summary of the meeting, and any unresolved issues. The meeting summary and the e-mail will be documented in the ADAMS as nonpublicly available.

Step 3: Updating of Minimum Decommissioning Funding Assurance Data

By March 31 of the reporting year, one or more of the financial analysts will perform the following tasks to ensure that the following information is properly updated as of December 31 of the previous year.

- First, the lead financial analyst should review the licensed thermal power level of each unit to verify that they are correctly stated on Appendix C, Datasheet 1 - Minimum Decommissioning Funding Assurance Data (Datasheet 1). The lead financial analyst should use the operating license authority file in ADAMS and the NRC Web site to ensure that all power uprates have been accounted for as of December 31 of the previous year.
- Second, the lead financial analyst should develop template sheets, found in Appendix C, for all of the operating reactors.
- Third, the lead financial analyst should identify and input the termination date of operations for each unit on the datasheets (Appendix C) and ensure that the date reflects any licensee extensions granted by the NRC as of December 31 of the previous year.

Step 4: Review the Decommissioning Funding Status Report for Completeness of Information

The financial analyst checks and analyzes the completeness and adequacy of the information submitted in the DFS reports against the requirements of 10 CFR 50.75(f)(1) and the guidance of Regulatory Issue Summary 2001-07, Revision 1, "10 CFR 50.75 Reporting and Recordkeeping for Decommissioning Planning," dated January 8, 2009. Datasheet 2 – Initial Submittal Information (Datasheet 2) is used to document this step. Step 4 is the first point in the analysis where, if any of the licensee's assumptions are unreasonable, contain any apparent errors or omissions, or may require additional information, the financial analyst will develop an RAI that identifies the issue. Any issues would be documented on Datasheet 2. Datasheet 3 (Post-RAI Information) is used to document information from the licensee after RAI responses are submitted. This datasheet will be used to close out any issues identified in Datasheet 2. The financial analyst conducts any communication, RAI, or documented discussion with the licensee regarding the licensee's submittal through the DORL PM.

In Step 4, the financial analyst documents information submitted by the licensee in accordance with 10 CFR 50.75(f)(1). The regulation (10 CFR 50.75(f)(1)) identifies the information that must be included in the DFS report. The financial analyst records the applicable information on Datasheets 2/3. Of the items identified below, Items 1, 2, and 4 are applicable to each licensee, and all parts of these items must be included in the DFS report. For Items 3, 5, 6, and 7, the licensee must respond, by either providing the information or stating the reason it is not providing the information.

- Item 1. Record the licensee's calculated Minimum Financial Assurance (MFA) pursuant to 10 CFR 50.75(b) and (c). Determine if the radiological and non-radiological decommissioning costs are separated. Record the licensee's site-specific cost estimate (SSCE), if provided. Determine if the licensee is assuring to the SSCE and that SSCE is equal to or greater than the calculated MFA pursuant to 10 CFR 50.75(b) and (c).
- Item 2. Record the reported amount accumulated in the decommissioning trust fund (DTF) to the end of the calendar year preceding the date of the DFS report. Determine if the amount reported in the trust fund is for radiological decommissioning, as defined under 10 CFR 50.2, "Definitions," and if the reported amount accumulated is the after-tax amount.
- Item 3. Record on Datasheets 2/3 whether the licensee declared a schedule of the annual amounts remaining to be collected. Record the schedule of annual amounts remaining to be collected on Datasheet 5 – Cash Flow Analysis (LX)¹ (Datasheet 5) on any other necessary pages.
- Item 4. Review the licensee's assumptions used in determining rates of escalation in decommissioning costs, reported rates of earnings on decommissioning funds, and any other reported rates or factors used in the funding projections, including any

¹ LX stands for the licensee number where X is the number. For example, if there are two licensees, there will be a datasheet Cash Flow Analysis (L1), where the accumulated amounts would need to be entered for each licensee under the blue Contributions header.

reference to an SSCE, with proper reference material. Record the values and determine if the assumptions are reasonable, and document the finding on the datasheets (Appendix C). If the assumptions are unreasonable, contain any apparent errors or omissions, or require additional information, the financial analyst develops any RAI(s) that identifies the issue. Questions listed on Datasheets 2 and 3 are some of the questions that have been asked in past RAIs on DFS report reviews and help the reviewer determine the reasonableness of the DFS report submittal.

If the licensee's response to the RAI resolves the issue, the financial analyst will document the resolution on Datasheet 3. If the licensee's response to the RAI does not resolve the issue, then the financial analyst will notify the IFIB BC as to the issues and will proceed on a case-by-case basis to resolve any potential issues. In cases where the licensee's real rate of return is greater than two percent and unsubstantiated, note on Datasheets 2/3 that a maximum of two-percent credit will be used.

- Item 5. Record any contract upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(v).
- Item 6. Record licensee-reported modifications to the licensee's current method of providing financial assurance since the last submitted DFS report. If the licensee is using a combined method under 10 CFR 50.75(e)(1)(vi), the financial analyst will review on a case-by-case basis.
- Item 7. Record DFS report-identified changes in the licensee's trust agreement since the last submitted DFS report and determine if an additional review is necessary.

For Items 5, 6, and 7 above, for any contract upon which the licensee is relying, or for modifications to a licensee's current method of providing financial assurance, or for material changes made to the trust agreement, the financial analyst will use Datasheets 2/3 to document that a contract was used or a change occurred. The financial analyst will review the contract or change with assistance, as needed, from a Senior Level Advisor for Financial Policy or OGC and document the findings on Datasheets 2/3. If the review cannot be completed in a timely manner, the financial analyst will document in the findings that the review is ongoing and notify division management of a potential delay in the analyses of the DFS reports. If the licensee wants to assure to a site-specific amount, the licensee must still provide the MFA pursuant to 10 CFR 50.75(b) and (c). The financial analyst should record both amounts on the datasheets. The financial analyst will develop an RAI as needed to resolve issues about information in the licensee's submittal that the staff requires to be able to complete its review of the DFS reports. Any communication with the licensee regarding the licensee's submittal is conducted through the DORL PM.

Step 5: Categorizing Licensees

Two categories are used for classifying licensees. A list can be found on Datasheet 1 in Appendix C or the most recent Commission Paper identifying the results of the most recent DFS review cycle.

Category 1 licensees: (a) recover the estimated total cost of decommissioning through rates established by cost of service regulation, (b) are able to establish their own rates and, thus, are

able to recover all of their decommissioning costs, or (c) recover the total cost of decommissioning from nonbypassable charges. Category 1 licensees may rely on external sinking funds as their exclusive mechanism for providing DFA.

Category 2 licensees, also known as merchant plants, consist of all other licensees not authorized to exclusively use external sinking funds. These licensees have no rate regulatory authority to approve ongoing decommissioning funding and future collections adjustments and are all non-electric utilities that do not have access to nonbypassable charges that ensure all decommissioning costs will be paid. Category 2 licensees must provide assurance through other methods, such as prepaid decommissioning funds, a surety method, or a combination of methods, in accordance with 10 CFR 50.75(e)(1), including use of a sinking fund in combination with other surety methods.

Category 2H licensees: These plants are hybrid licensees, which means they have multiple owners where one, or more, owners are Category 1 licensees that can recover costs in one, or more, of the three ways discussed above. The other owner(s) are Category 2 licensees and do not have rate regulatory authority and do not have access to nonbypassable charges.

The financial analyst transcribes DFS report data required for evaluating DFA to Datasheets 2/3 and categorizes the licensee as either Category 1, Category 2, or Category 2H. The various datasheets will document the category designation.

Step 6: Determine the Minimum Financial Assurance Funds Required

The minimum amount of MFA required is the greater of the minimum amount calculated using the formulas in 10 CFR 50.75, "Reporting and Recordkeeping for Decommissioning Planning," or the amount stated by the licensee. The financial analyst will calculate the estimated MFA funding amount in current dollars using the formulas in 10 CFR 50.75(c) and the latest available revisions of the supporting guidance in Regulatory Guide (RG) 1.159, "Assuring the Availability of Funds for Decommissioning Nuclear Reactors," NUREG-1307, "Report on Burial Charges: Changes in Decommissioning Waste Disposal Costs at Low-Level Waste Burial Facilities," and NUREG-1577, "Standard Review Plan on Power Reactor Licensee Financial Qualifications and Decommissioning Funding Assurance."

The financial analyst can perform this step before, after, or concurrently with the previous steps. For energy and labor adjustment factors, this step must be performed after December 31 of the preceding year. Preliminary energy and labor adjustment factors are available before the March 31 submittal date; however, the final energy and labor adjustment factors will not be available until after March 31. Therefore, the financial analyst will compare the preliminary adjustment factors to the MFA provided within the submittal, but when the final energy and labor adjustment factors are available, the financial analyst will use these factors for determining reasonable assurance. The financial analyst will determine the estimated MFA required to demonstrate reasonable assurance for each reactor by using the formulas in 10 CFR 50.75(c).

The financial analyst should perform the following steps:

- (1) Using the reactor type (pressurized-water reactor or boiling-water reactor) and the power level described in 10 CFR 50.75(c)(1), establish a base amount for the MFA in 1986 dollars.

- (2) Using the three cost adjustment escalation factors for labor, energy, and waste burial costs, and their relative weighting described in 10 CFR 50.75(c)(2), escalate the 1986 base amount to the current amount required for decommissioning each reactor. The current amount is expressed in dollars as of the end of the calendar year preceding the date of the report. The U.S. Department of Labor, Bureau of Labor Statistics (BLS) publishes the adjustment factors for labor and energy, and NUREG-1307 provides the low-level waste burial adjustment factor. The latest BLS adjustment factors at the time of the licensee's report to the NRC will be input first; however, if the final BLS adjustment factors for December or the fourth quarter of the year prior to the reporting year are lower, those adjustment factors will be used. The financial analyst calculates the MFA using the lowest value for the waste burial adjustment factor in the formula and the latest values for labor and energy. Section C.1 of RG 1.159 provides the overall guidance on adjusting the current amount and also references sections in NUREG-1307 that contain the detailed methods for calculating the total MFA adjustments using the escalation factors. If necessary, the financial analyst will develop RAIs to resolve issues about information in the licensee's submittal that the staff requires to be able to complete its review of the DFS report.
- (3) For units with multiple owners, determine the MFA for each co-owner, prorated for each co-owner's ownership share. If the co-owners inform the NRC that they have made other arrangements for the sharing of decommissioning costs, the MFA determination should be made on the basis of the co-owners' agreement.
- (4) If the licensee for the unit has submitted the preliminary decommissioning cost estimate required about 5 years before the projected end of operations, pursuant to 10 CFR 50.75(f)(3), the MFA requirement is the SSCE. Likewise, if the unit submits an SSCE for decommissioning, the MFA is the SSCE. In both cases, the estimate may be equal to or greater, but not less, than the amount determined by 10 CFR 50.75(c)(1) and (2).

Step 7: Determine the Amount of Decommissioning Funding Assurance

The financial analyst determines the amount of DFA provided by the licensee, in current dollars. By summing the items listed below, the financial analyst determines each reactor's amount of DFA:

- The balance of the DTF as of the end of the calendar year preceding the year the report is due, if the funds meet the requirements of 10 CFR 50.75(e)(1)(i) or (ii).
- Amounts remaining to be collected. These may be acceptable as DFA if the licensee meets the cost recovery criteria or nonbypassable charges specified in 10 CFR 50.75(e)(1)(ii)(A) and (B), or the amount will be collected under the terms of a contractual obligation that meets the requirements of 10 CFR 50.75(e)(1)(v).
- Projected earnings as a result of applying the appropriate earnings credit at a compounded annual real rate of return (real rate of return equals the real earnings rate minus the escalation rate minus the rate of any other factors) to the DTF balance and acceptable amounts remaining to be collected. The regulations in 10 CFR 50.75(e)(1)(i) and (ii) allow a credit for projected earnings of up to two-percent annual real rate of return from the time of future funds collection through a specified period as described below. Category 2 licensees are limited to a two-percent maximum real rate of return.

The earnings credit may be applied during both operating and decommissioning periods. The maximum time during the decommissioning period for which the credit may be taken depends on whether the licensee uses the 10 CFR 50.75(c) generic formula estimates or has submitted an SSCE with a specified SAFSTOR period to estimate decommissioning costs. The allowed credit may be greater than the two-percent real rate of return for Category 1 licensees if a licensee's rate-setting authority has approved or assumed a higher rate in the most recent case. The licensee must continue to qualify for future rate adjustments by a regulatory authority to be able to claim a real rate of return higher than two percent. Unless approved or assumed differently in the most current rate case (e.g., during DECON), the allowed credit greater than two percent for Category 1 licensees will be credited only up to the time when permanent termination of operations is expected. The financial analyst should use the real rate of return stated by the licensee in its DFS report, subject to the limitations described above.

A licensee using a generic formula defined in 10 CFR 50.75(c) to estimate decommissioning costs may take the earnings credit during the period of plant operation for the remaining years of the plant's operating license. The licensee may take an additional pro rata credit for the first seven years after shutdown as long as the credit recognizes the expected cash flow of expenditures for decommissioning during this period. Unless the licensee states otherwise, the financial analyst should assume that the cash flow of expenditures is one-eighty-fourth of the formula amount each month. The funds should be expended by the end of the eighty-four months so that no more pro rata earnings credit can be taken thereafter. If the NRC has renewed the license for a reactor, the licensee may take the allowed earnings credit through the extended license period, as well as the pro rata credit through the first seven years after shutdown.

A licensee assuring to an SSCE may take the allowed earnings credit through the projected decommissioning period, provided that the site-specific estimate is based on a SAFSTOR or other SSCE period that is specifically described in the estimate. If the annual SSCE costs are paid from the DTF, the annual costs of SSCE, which do not include the cost of the storage of spent fuel, must be deducted from the earnings credit. The decommissioning funds may not be drawn down to such a degree during the SSCE decommissioning period that the earnings credit would be materially affected. (This projected SSCE decommissioning period starts at the time of permanent shutdown and continues through license termination.)

- The amounts of DFA, if any, provided by other methods specified in 10 CFR 50.75(e)(1).

Step 8: Determine Reasonable Assurance

On a licensee and unit basis, the financial analyst determines whether there is reasonable assurance that funds will be available by comparing the licensee's projected funds and any additional funding mechanism provided to either (A) the required MFA, in current dollars, for each reactor, or (B) the SSCE provided, and assured to, by the licensee.

(A) Licensee is providing assurance to the MFA:

If the licensee is providing assurance to the MFA, the financial analyst compares the MFA from the datasheets to the licensee's amount of DFA. The comparison is done based on both per licensee and a per unit basis. The financial analyst's independent

calculation of the MFA is used in making the determination of reasonable assurance, unless the licensee provides a certification amount or a cost estimate that is greater than the financial analyst's MFA. For the determination of reasonable assurance, the financial analyst will round up the licensee's financial assurance amount to the next million. For example, if the licensee provides financial assurance of \$337.2 million, the financial analyst would round up to \$338 million.

Below are the steps that the financial analyst applies for the independent determination of reasonable assurance when the licensee is assuring to the MFA. The steps and the financial analyst's findings are documented on the datasheets.

Step 1: Current Funding and Projected Earnings

The financial analyst will project the licensee's current amount of the DTF with a real rate of return based on the assumptions provided by the licensee in the DFS report. The financial analyst should use the real rate of return stated by the licensee in its DFS report, subject to the two-percent limit, as applicable, through the termination date of operations. If the licensee is a Category 1 licensee, then the licensee should provide the documentation (i.e., Public Utility Commission order) for the assumptions, regardless of whether or not it results in a real rate of return of less than two percent. The financial analyst will complete this task for each licensee of the unit and document the information on Datasheet 5, where L stands for the licensee and X is the licensee number for the unit. The final amount of assurance will then be totaled for each licensee and transcribed onto Datasheet 4 – Summary (Datasheet 4) sheet, which will show the determination of whether there is DFA. For those units with multiple owners, the financial analyst also will make a determination for each licensee based on DFA responsibility.

Step 2: Accumulation

If the schedule of amounts remaining to be collected is provided, the financial analyst will record the amounts for each applicable Category 1 licensee. This schedule will be recorded on a year-to-year basis on the Datasheet 5. Unless the licensee states otherwise, the financial analyst will assume that the collections occur in equal monthly amounts throughout the year. Therefore, the financial analyst will use a midpoint method for calculation of the earnings credit (half of the collections for the year are given at the beginning and half are given at the end of the stated year). The total for each licensee of the amounts remaining to be collected will be totaled, aggregated, and transposed onto Datasheet 4. The financial analyst will add the total of the amounts remaining to be collected to the expected amount in the DTF at the termination of operations and will enter a determination of whether there is DFA on Datasheet 4.

Step 3: Decommissioning Period

The financial analyst should use the real rate of return stated by the licensee in its DFS report, subject to the 2-percent limit, as applicable. If the assumptions provide for a real rate of return greater than 2 percent for a Category 1 licensee, the licensee must provide documentation that allows for the greater than 2-percent real rate of return during decommissioning. Category 2 licensees may only receive a 2-percent real rate of return.

Step 4: Other Assurances

The financial analyst should determine if the licensee has provided any additional assurance mechanisms, as specified in 10 CFR 50.75(e)(1). If the licensee has provided such mechanisms, the financial analyst should document the type of assurance (e.g., parent company guarantee) on the Summary Datasheet (Datasheet4). The financial analyst should enter the amount of the assurance on the Summary Datasheets.

Step 5: Current Total Funding: Combining Steps 1 Through 4

The financial analyst will add the assurance amount(s) from steps 1 through 4 above, thus combining all projected compounded amounts, accumulation amounts, and other assurance amounts. In this way, the financial analyst will determine whether the licensee is providing adequate DFA for each licensee and for the unit as a whole, and the analyst will conclude that the licensee's DFA meets/exceeds, or fails to meet, the MFA requirement.

If the licensee's DFA is provided through a combination of surety methods, the financial analyst should determine, based on Commission guidance, whether the combination provides assurance provided for by the methods of 10 CFR 50.75(e)(1)(i) through (v), or such other equivalent, acceptable assurance.

As discussed in Step 5, under 10 CFR 50.75(e)(1)(i)(A)-(B), category 1 licensees who (1) use external sinking funds solely to provide reasonable assurance for DFA and can directly or indirectly recover their costs through ratemaking; or, (2) who receive a "non-bypassable charge" are not required to meet the MFA, as long as there is reasonable assurance that decommissioning funds will be available when needed (e.g., the state is likely to grant rate cases permitting the collection of decommissioning funds in the future, the licensee has accumulated significant funds in the external sinking fund, the non-bypassable charge will continue, etc.).

(B) Licensee is providing assurance to an SSCE:

If the licensee is providing assurance to an SSCE, the financial analyst follows the first two steps in Part (A) of this section.

Step 3: Decommissioning Period

After completing Part A, Step 2, the financial analyst transcribes the expenses, by year, for each licensee onto Datasheet 5. This includes any decommissioning planning costs that occur before the termination of operations. Unless the licensee states otherwise, costs for each year are assumed to be drawn down equally per month. If the end-of-year trust fund balance is greater than or equal to zero at the end of the decommissioning period, then the licensee or unit is providing DFA.

When all steps in Parts (A) and (B) are complete, the financial analyst will proceed with the following.

If the MFA exceeds the projected funds that have been rounded up to the next million or if the end-of-year trust fund balance in an SSCE is less than zero during the decommissioning period, the financial analyst should:

- Document the preliminary findings on the Datasheets, and request that another financial analyst verify the first financial analyst's preliminary findings. The second financial analyst, if time permits, reviews the DFS report in question following the procedure described here.
- Sign and date all of the datasheets. If necessary, the second financial analyst will create a unique set of datasheets for the unit and will make an independent determination.
- If the second financial analyst's finding does not support the initial finding of the first financial analyst that MFA is greater than the rounded up amount of projected financial assurance, then the second financial analyst should discuss his or her findings with the first financial analyst and resolve and document the differences in the initial findings on a supplemental datasheet.

If both the initial analysis and the second analysis find that the licensee's rounded up amount of financial assurance is less than the MFA, the first financial analyst should provide the information to the lead financial analyst. The lead financial analyst should contact the DORL PM, discuss the preliminary finding of inadequate financial assurance with the licensee, and document this discussion on the datasheets. If appropriate, the licensee should be asked to submit additional information through an RAI. Following the financial analyst's review of the licensee's revised submittal, if the analyst determines that the additional assurance provided by the licensee is inadequate, the action to address the potential funding shortfall should follow the guidance provided in RG 1.159. The finding of inadequate financial assurance will be provided to the Commission using one of the communication tools described in Step 10. If any further steps are required to address the finding of inadequate financial assurance, the financial analyst should close out the initial TAC number and open a new TAC number after consulting the IFIB BC and budget coordinator.

Step 9: Quality Assurance Review

The QA reviewer validates the adequacy and completeness of the financial analyst's independent analysis of the DFS reports in accordance with the QA Plan in Appendix E. The QA reviewer performs Steps 1 through 8 on a random sample population to verify that the licensee's information, as applicable, is accurate and complete and that the financial analyst's independent analysis is valid. The QA reviewer then identifies any discrepancies in the QA audit report and discusses the discrepancies with the financial analyst. The financial analyst addresses and resolves all discrepancies and documents the resolution on the datasheets. If future DFS report reviews/analyses are conducted without any change to the validated computer code, the QA auditor will need to validate only the input data that were used for the analysis. Appendix E further discusses the QA plan. The results of the financial analysis of the DFS reports and the QA audit finding are to be placed in a folder in ADAMS before the results of the review are provided to the Commission (Step 10).

Step 10: Presentation of Results

Once Steps 1 through 9 are completed, the Commission receives the results of this review. Results may be presented by Commission paper, memorandum, or other appropriate communication tool.

The presentation of results for every odd year will be in the form of an information paper to the Commission summarizing the results of the staff's analysis (see appendices for example correspondence). The information paper should summarize the staff's findings for the DFS report analysis process. The lead financial analyst should develop the information paper with input from the working group. In addition to the BC, the lead financial analyst should include OGC on concurrence.

Step 11: Closing out of the Reviews

Once Steps 1 through 10, as applicable, are completed, the financial analyst will provide a close-out letter to the appropriate stakeholder. This will occur in both odd and even years. In the years when Step 10 occurs, the financial analyst should submit the letters to the DORL PM to close out the activity. Appendix F contains an example of the letter. The TAC number for each unit should remain open until the close-out letter is declared as publicly available in ADAMS. At that time, the DORL PM should close the TAC.

RESPONSIBILITIES AND AUTHORITIES**Director, Division of Inspection and Regional Support (DIRS)**

The DIRS Director is responsible for ensuring that the financial analyst(s), the QA reviewer(s), and the budget coordinator process and review the DFS reports in accordance with the applicable regulations, LIC-205, and supporting guidance.

Branch Chief, Financial Analysis and International Projects Branch (IFIB)

The IFIB BC is responsible for oversight of DFS report review activities. This includes assigning staff to perform the activities identified in this office instruction and working with staff to ensure that procedures are followed.

Lead Financial Analyst, Financial Analysis and International Projects Branch

The lead financial analyst is responsible for coordinating all aspects of the DFS report review. This includes distribution of work (if applicable), quality of work, and ensuring appropriate use of TAC numbers. The lead financial analyst will also serve as the POC to DORL and is responsible for drafting any communication to be sent to the Commission, unless otherwise assigned.

Financial Analyst, Financial Analysis and International Projects Branch

The financial analyst is responsible for the DFS report review process, including following this office instruction and all other regulations and supporting guidance.

Quality Assurance Reviewer, Financial Analysis and International Projects Branch

The QA reviewer is responsible for following the QA review process outlined in Appendix E.

Budget Coordinator, Financial Analysis and International Projects Branch

The budget coordinator is responsible for working with the financial analysts and DORL PMs to ensure that the TAC numbers for the DFS report analyses are open under the correct PA codes and closed when appropriate and for monitoring applicable TAC number use.

Director, Division of Operating Reactor Licensing

The DORL Director is responsible for ensuring that the financial analyst(s), the QA reviewer(s), and the budget coordinator process and review the DFS reports in accordance with the applicable regulations, LIC-205, and supporting guidance.

Branch Chief, Division of Operating Reactor Licensing

The DORL BC is responsible for ensuring that the PMs follow the process established in LIC-205.

Project Manager, Division of Operating Reactor Licensing

The DORL PM is responsible for ensuring that applicable licensing steps are completed in accordance with the process described in LIC-205.

PERFORMANCE MEASURES

The DFS report review is to be completed in 6 months, subject to staffing availability and Commission priorities. The DFS report milestone table can be found in Appendix G.

5. RESPONSIBILITIES AND AUTHORITIES

Division Level

The Division Director is responsible for ensuring that the staff follows the regulations, LIC-205, and supporting guidance in processing and analyzing the biennial reports.

Branch Chief

The Branch Chief is responsible for oversight of DFS report review activities. This includes assigning staff to perform the activities identified in this Office Instruction and interfacing with the staff to ensure procedures are followed.

Staff

The assigned analysts and the QA reviewer are adequately trained and conduct their review activities in accordance with the regulations and the guidance included in this Office Instruction.

6. PERFORMANCE MEASURES

The DFS Report review is to be completed in six months, subject to staffing availability

and Commission priorities.

7. **PRIMARY CONTACTS**

Michael Purdie
301-415-0244
Michael.Purdie@nrc.gov

8. **RESPONSIBLE ORGANIZATION**

NRR/DIRS/IFIB

9. **EFFECTIVE DATE**

January 16, 2015

10. **REFERENCES**

Miscellaneous

Atomic Energy Act of 1954, as amended.

U.S. Department of Labor, Bureau of Labor Statistics

Code of Federal Regulations (CFR)

10 CFR Part 50, "Domestic Licensing of Production and Utilization Facilities."

10 CFR 50.2, "Definitions."

10 CFR 50.75, "Reporting and Recordkeeping for Decommissioning Planning."

Nuclear Regulatory Commission Documents

NRR OI LIC-101, "License Amendment Review Procedures."

NRR OI LIC-109, "Acceptance Review Procedures."

NUREG-1307, "Report on Burial Charges: Changes in Decommissioning Waste Disposal Costs at Low-Level Waste Burial Facilities" (Latest version).

NUREG-1577, "Standard Review Plan on Power Reactor Licensee Financial Qualifications and Decommissioning Funding Assurance" Rev.1 (ADAMS Accession No. ML013330264).

OIG-06-A-07, "Follow-up Audit of the Nuclear Regulatory Commission's Decommissioning Fund Program," February 6, 2006 (Agencywide Documents Access and Management System (ADAMS) Accession No. ML060370376).

Regulatory Guide 1.159, "Assuring the Availability of Funds for Decommissioning Nuclear Reactors" Rev. 2 (ADAMS Accession No. ML112160012).

Regulatory Issue Summary 2001-07, Rev. 1, "10 CFR 50.75 Reporting and Recordkeeping for Decommissioning Planning," January 8, 2009 (ADAMS Accession No. ML083440158).

SECY-06-0065, "Office of the Inspector General Recommendations on Decommissioning Funding Assurance," March 23, 2006 (ADAMS Accession No. ML060590524).

Staff Requirements Memorandum (SRM) to SECY-07-0197, "Reactor Decommissioning Trust Fund Oversight by Other Agencies and Recommendations Regarding Further Commission Action," January 9, 2008 (ADAMS Accession No. ML080100481).

Enclosures:

1. Appendix A – Change History
2. Appendix B – Training Program for Analysis of Decommissioning Funding Status Report
3. Appendix C – Datasheets
4. Appendix D – Request for Additional Information Guide
5. Appendix E – Quality Assurance Plan
6. Appendix F – Close-out Letter Example
7. Appendix G – Decommissioning Funding Status Report Milestone Table
8. Appendix H – Spot Check Program

Appendix A - Change History
Office Instruction LIC-205
(Procedures for NRC's Independent Analysis of Decommissioning Funding Assurance for
Operating Nuclear Power Reactors)

LIC-205 Change History – Page 1 of			
Date	Description of Changes	Method Used to Announce & Distribute	Training
4/24/2006	This is the first revision of LIC-205. This office instruction defines and documents how the staff performs its independent analysis of each operating power reactor licensee's DFS report, and reflects lessons-learned from the review of the 2005 DFS reports.	E-mail to NRR staff	Self-Study
6/2/2008	This is the second revision of LIC-205. This revision reflects lessons-learned from the review of the 2007 DFS reports.	E-mail to NRR staff	Self-Study
3/8/2010	This is the third revision of LIC-205. This revision reflects lessons-learned from the review of the 2009 DFS reports.	E-mail to NRR staff	Self-Study
12/22/2010	This is the fourth revision of LIC-205. This revision reflects lessons learned from the review of the 2009 DFS reports.	E-mail to NRR staff	Self-Study
01/13/2015	This is the fifth revision of LIC-205. This revision reflects lessons learned from the review of the 2011 and 2013 DFS reports. Appendix H, Spot Check Program, has been added to incorporate Commission direction to perform Spot Check reviews.	E-mail to NRR staff	Self-Study

Appendix B

Training Program For Analysis Of Decommissioning Funding Status Reports

I. Definitions

A. Working Group (WG)

The WG is made up of any Financial Analysis and International Projects Branch (IFIB) staff associated with performing the financial analysis of the decommissioning funding status (DFS) report. Four types of staff form the working group:

- (1) financial analyst
- (2) lead financial analyst
- (3) quality assurance (QA) reviewer
- (4) IFIB Branch Chief (BC)

B. Training Program Coordinator

The training program coordinator should have conducted numerous DFS report analyses and either helped to develop or have a strong working knowledge of the most recent revision of LIC-205. This person is responsible for overseeing the training program and training and designating instructors, when necessary.

C. Instructors

At the discretion of the training program coordinator, employees with significant experience conducting DFS report analyses and who are capable of performing the training will act as instructors.

II. Objectives

The primary objective of the training program is to ensure that all financial analysts involved with the DFS report reviews are properly trained in the methodology for performing the analysis during the required review time. A properly trained financial analyst should be able to conduct all aspects of the review with little to no supervision or direction. The training program will ensure that the financial analyst will be able to properly record the information provided by the licensee, request any necessary additional information, perform the analysis, make a determination of financial assurance, and develop any correspondence required to complete the analysis.

The secondary objective of the training program is to ensure that the financial analyst conducting the QA review has the necessary experience and instruction to conduct the QA review properly.

The tertiary objective of the training program is to ensure that the IFIB BC has a practical working knowledge of the DFS report review process and, in general, of how the

financial analyst analyzes the information provided by the licensee to determine decommissioning funding assurance.

III. Basic Requirements

The training program coordinator will be in charge of documenting the training program process for each WG member, designating any other training staff, and notifying management of the completion of the training program by each WG member.

Any member of the WG can complete the training program in two ways.

A. Formal Training Using LIC-205

WG members must complete the training program, unless exempted by the provisions stated in Part B of this section. The outline below shows the requirements for successfully completing the formal training for each position:

(1) Financial Analyst

The financial analyst will be trained in the “learn one, watch one, complete one” training style. That training style is explained in detail below.

(a) Learn One

The “learn one” section of the training will encompass theoretical learning of how to complete a DFS report analysis. For this part of the training, the instructor will review each section of LIC-205 with the financial analyst, and at the end, each WG member will initial each section after it has been completed. After reviewing all of LIC-205, the instructor will ask questions to ensure that the financial analyst has a proper understanding of the LIC-205 process. Once the financial analyst has shown a sufficient working knowledge of LIC-205, the instructor will send an e-mail to the training coordinator stating such and will send a copy to the financial analyst. If the instructor is the training coordinator, the instructor will send an e-mail to the financial analyst acknowledging completion of the task and will send a copy to himself or herself.

(b) Watch One

Only after completing the “learn one” task can a financial analyst begin the “watch one” task. The “watch one” task can be completed by using either a previous year’s DFS report or a current year DFS report.

i. Previous Year’s Report

If no DFS report has been provided for the year of the training, the instructor may use a previous year’s report.

The instructor will use the most recent revision of LIC-205 (even if the previous report was using an older revision) and show the financial analyst how the analysis was conducted. After completing the task, and if the instructor feels that the financial analyst understands all of the steps of the process, the instructor will send an e-mail to the training coordinator stating such, and will send a copy to the financial analyst. If the instructor is the training coordinator, the instructor will send an e-mail to the financial analyst acknowledging completion of the task and will send a copy to himself or herself.

ii. Current Year's Report

If a DFS report has been provided for the year of the training, the instructor may use that report. The instructor will follow the same procedure as outlined in Subsection (i) of the "watch one" section.

(c) Complete One

After a financial analyst has completed both the "learn one" and "watch one" tasks, the analyst will be allowed to "complete one" on his or her own. Either a previous year's or a current year's DFS report can be used. The financial analyst will complete a DFS report analysis according to the most recent revision of LIC-205 without the assistance of an instructor. The financial analyst will provide the completed analysis to the instructor for review. If the instructor finds no major errors or issues, the instructor will send an e-mail to the training coordinator stating that the financial analyst has successfully completed the training. The training coordinator will send an e-mail to the IFIB BC stating that the staff member has been properly trained to be a financial analyst for the DFS report review process for that year. The financial analyst will receive a copy of the e-mail, and the e-mail will be documented in the Agencywide Documents Access and Management System (ADAMS).

(2) Lead Financial Analyst

The lead financial analyst is responsible for all of the same requirements as a financial analyst. However, the training for the lead financial analyst includes understanding the other responsibilities of the group. After completion of the financial analyst training, the lead financial analyst should be trained in the roles and responsibilities of the lead financial analyst. Once the training coordinator believes that the lead financial analyst has effective knowledge of the responsibilities of that position, the training coordinator will send an e-mail to the IFIB BC stating that the staff member has been properly trained to be a lead financial analyst for the DFS report review process for that year. The e-mail also will be sent to the lead financial analyst and will be documented in ADAMS.

(3) Quality Assurance Reviewer

The QA reviewer should have a working knowledge of LIC-205 and the general process of the analysis. The QA reviewer also should be trained in the “learn one” style for the general sections of LIC-205. However, for the QA review section of LIC-205, the QA reviewer should be trained in the same manner as a financial analyst for the analysis section. Therefore, the instructor should proceed through the same “learn one,” “watch one,” “complete one” training (see Section III.B.1.i–iii) for the QA review. After the QA reviewer has completed the training, the training coordinator will send an e-mail to the IFIB BC stating that the designated QA reviewer has been properly trained to be a QA reviewer for the DFS report review process for that year. The e-mail also will be sent to the QA reviewer and will be documented in ADAMS.

(4) First-Line Manager

The first-line manager should have a working knowledge of LIC-205 and the general process. The training for the first-line manager would be equivalent to the “learn one” section of the financial analyst. The first-line manager should be able to show a working knowledge of the various steps in completing a DFS report analysis and the general amount of time for each step. Ideally, the IFIB BC will be trained before any of the other WG members so that the BC can knowledgeably delegate work to the WG members.

B. Exemption to the Training Program

A WG member can receive either a partial or complete exemption from the training program. An exemption from the training program can be approved if the financial analyst has:

- (1) Conducted multiple DFS report analyses within the past 4 years.
- (2) Conducted a QA review within the past 4 years.
- (3) Special circumstances explicitly stated.

The training coordinator will determine if an exemption should be given and the level of the exemption. The training coordinator will file the exemption by sending an e-mail to the IFIB BC that states who is exempted, the reason for the exemption, and the level of the exemption. The training coordinator will copy the WG member on the e-mail, which will be documented in ADAMS.

Appendix C

Datasheets

Datasheet 1 – Minimum Decommissioning Funding Assurance Data:

This datasheet should have the correct power levels. The lead financial analyst should review the licensed thermal power levels of each unit to verify that they are correctly stated and that each licensee's Category is correct. The lead financial analyst should use the operating license authority file in ADAMS and the NRC Web site to ensure that all power uprates have been accounted for as of December 31 of the previous year. The lead financial reviewer should also update the inputs to the minimum formulas for each reactor, as well. There is a single Datasheet 1 per DFS reporting cycle.

Datasheets 2/3 – Licensee submittals:

Datasheets 2/3 are derived from the submittals from the licensee. There are a series of questions the reviewer should answer on datasheet 2. If any of the answers require an RAI, the licensee should draft a memo to the respective DORL PM for that plant. The responses to the RAI would be documented in datasheet 3.

Under Part 4, calculate the difference between the licensee's assumed rate of earnings on decommissioning trust funds less the rates of escalation in decommissioning costs and rates of other factors and escalation to derive the real rate of return. If less than or equal to 2 percent, use the rate in the projection calculations. If greater than 2 percent, verify that the licensee is eligible to use the higher rate.

Datasheet 4 – Summary Datasheet:

For NRC MFA, the inputs are entered by the lead financial analyst into Datasheet 1. Each Datasheet 4 will have the plant name, category of licensee, and formula inputs linked to Datasheet 1. Licensee ownership levels, docket numbers and dates of termination of operations are found in the licensee's Final Safety Analysis Report or their Operating License. Licensee decommissioning responsibilities, trust fund amounts, and SSCE are provided by the licensee.

However, one can also manually enter the inputs into formula for Datasheet 4. The NRC staff will input the type of plant (BWR/PWR); the MWth of the unit; the ECI, Base Lx, Px and Fx, all derived from the BLS website. The Lx is derived from (ECI multiplied by (*) Base Lx) divided by (/) 100. Example, if a PWR plant, $0.58 * Px + 0.42 * Fx$. If a BWR plant, $0.54 * Px + 0.42 * Fx$. The NRC MFA is calculated by $0.65 * Px + 0.13 * Ex + 0.22 * Bx$. If the licensee provides a site-specific cost estimate that is greater than the NRC MFA, it will be used for the rest of the calculations.

Datasheet 4 is also where the analyst will enter whether the licensee has other financial assurance mechanisms, and how much. The end balance of each trust fund is linked to Datasheet 5. If a licensee's end balance plus assurance total is greater than 0, the licensee has financial assurance for decommissioning.

Datasheet 5 – Cash Flow Analysis (LX)

The majority of inputs into Datasheet 5 are connected to Datasheets 2/3 and 4. The only inputs the financial analyst needs to put into Datasheet 4 are in blue. The financial analyst needs to select the cell that has the licensee end balance. If a licensee is assuring to the minimum formula, this datasheet will automatically break the minimum down into 84 months' worth of expenses, broken down monthly under the blue "expenses" column. The licensee's expenses will begin the first full month after the operating license has ended. For example, a licensee whose operating license ends on April 12 will start incurring decommissioning costs in Datasheet 5 on May 1. If a licensee is assuring to a SSCE, the datasheet will say "insert expense" under the blue "Expenses" column. The financial analyst will manually enter the expenses. If there are contributions, the financial analyst will manually enter the contributions amount under the blue "Contributions" heading.

DATASHEET 1 - MINIMUM DECOMMISSIONING FUNDING ASSURANCE DATA

20XX DECOMMISSIONING FUNDING STATUS REPORT

Table 2. NRC Minimum Decommissioning Funding Assurance as of December 31, 2012

$$1986\$*((.65*Lx) + (.13*Ex) + (.22*Bx)) = 2012\$$$

NUREG-1307, REV. 14

Year: 20XX

Loc	Cat	Plant Name		MWth	1986\$	ECI	Base Lx		Lx	Px	Latest Month Px	Base Px	Fx	Latest Month Fx	Base Fx		Ex		Bx	NRC Minimum Formula
S	1	Arkansas Nuclear One, Unit 1	PWR	2568	\$97,598,400		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
S	1	Arkansas Nuclear One, Unit 2	PWR	3026	\$101,628,800		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
MW	2H	Arnold (Duane) Energy Center	BWR	1912	\$121,208,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
NE	2	Beaver Valley Power Station, Unit 1	PWR	2900	\$100,520,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
NE	2H	Beaver Valley Power Station, Unit 2	PWR	2900	\$100,520,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
MW	2	Braidwood Station, Unit 1	PWR	3586	\$105,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
MW	2	Braidwood Station, Unit 2	PWR	3586	\$105,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
S	1	Brown's Ferry Nuclear Power Station, Unit 1	BWR	3458	\$135,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
S	1	Brown's Ferry Nuclear Power Station, Unit 2	BWR	3458	\$135,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
S	1	Brown's Ferry Nuclear Power Station, Unit 3	BWR	3458	\$135,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
S	1	Brunswick Steam Electric Plant, Unit 1	BWR	2923	\$130,307,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
S	1	Brunswick Steam Electric Plant, Unit 2	BWR	2923	\$130,307,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
MW	2	Byron Station, Unit 1	PWR	3586	\$105,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
MW	2	Byron Station, Unit 2	PWR	3586	\$105,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
MW	1	Callaway Plant	PWR	3565	\$105,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
S	2	Calvert Cliffs Nuclear Power Plant, Unit 1	PWR	2700	\$98,760,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
S	2	Calvert Cliffs Nuclear Power Plant, Unit 2	PWR	2700	\$98,760,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
S	1	Catawba Nuclear Station, Unit 1	PWR	3411	\$105,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
S	1	Catawba Nuclear Station, Unit 2	PWR	3411	\$105,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
MW	2	Clinton Power Station	BWR	3473	\$135,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
W	1	Columbia Generating Station	BWR	3486	\$135,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
S	1	Comanche Peak Steam Electric Station, Unit 1	PWR	3458	\$105,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
S	1	Comanche Peak Steam Electric Station, Unit 2	PWR	3458	\$105,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
MW	1	Cook (Donald C.) Nuclear Power Plant, Unit 1	PWR	3304	\$104,075,200		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
MW	1	Cook (Donald C.) Nuclear Power Plant, Unit 2	PWR	3468	\$105,000,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0
MW	1	Cooper Nuclear Station	BWR	2381	\$125,429,000		0.65	0.00	0.000		114.2	0.000	82.0	0.13	0.000	0.22				\$0

DATASHEET 2—INITIAL SUBMITTAL INFORMATION

Plant Name: **0** **Docket Number:** **0**
Date of Operation: **Month: 12 Day: 31 Year: 2014**
Termination of Operations: **Month: Day: Year:**

1 The minimum financial assurance (MFA) licensee estimate pursuant to 10 CFR 50.75(b) & (c): \$0
 Did the licensee identify the amount of estimated radiological funds? (Y/N)
 Is there a difference between the MFA estimated by the licensee and the NRC? (Y/N)
 Does the licensee provide a reason for the differential? (Y/N)
 Is an RAI needed? (Y/N)

The site-specific cost estimate provided by the licensee: \$0
 Did the licensee provide a site-specific cost estimate? (Y/N)
 Is the licensee assuring to the site-specific cost estimate? (Y/N)
 Is the site-specific cost estimate greater than the MFA estimate pursuant to 10 CFR 50.75(b) & (c)? (Y/N)
 Is an RAI needed? (Y/N)

2 The total amount of dollars accumulated at the end of the appropriate year: (see below)

Licensee:	% Owned	% Decon Responsibility	Category (1/2)	Amount in Trust Fund:
Licensee 1				\$0
Licensee 2				\$0
Licensee 3				\$0
Licensee 4				\$0
Licensee 5				\$0
Licensee 6				\$0

Total Trust Fund Balance: \$0

Did the licensee identify the amount in the trust fund is for radiological decommissioning? (Y/N)
 Did the licensee state that the amount in the trust fund is an after-tax amount? (Y/N)
 Is an RAI needed? (Y/N)

3 Schedule of the annual amounts remaining to be collected: (provided/none) Provided/None
 Is an RAI needed? (Y/N)

4 Assumptions used in determining rates of escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections:

Licensee:	Operations				Decommissioning			
	Return on Earnings	Inflation Rate	Other Rates	Real Rate of Return	Return on Earnings	Inflation Rate	Other Rates	Real Rate of Return
Licensee 1				2.00%				2.00%
Licensee 2				2.00%				2.00%
Licensee 3				2.00%				2.00%
Licensee 4				2.00%				2.00%
Licensee 5				2.00%				2.00%
Licensee 6				2.00%				2.00%

Did the licensee provide the rate of return on earnings? (Y/N)
 Did the licensee provide the inflation or escalation rate? (Y/N)
 Did the licensee provide the rate(s) of other factors? (Y/N)
 Did the licensee provide the real rate of return? (Y/N)
 PUC Verified? (Y/N)
 Is the real rate of return for decommissioning the same as the operational period? (Y/N)
 Is an RAI needed? (Y/N)

5 Any contracts upon which the licensee is relying? (Y/N)
 Is an RAI needed? (Y/N)

6 Any modifications to a licensee's method of providing decommissioning funding assurance? (Y/N)
 Is an RAI needed? (Y/N)

7 Any material changes to trust agreements? (Y/N)
 Is an RAI needed? (Y/N)

If a change has occurred, the reviewer will document on this sheet that a change has occurred and identify the reviewer who will evaluate the change: (see below)

First Analyst Signature:
 Date:
 Second Analyst Signature:
 Date:

DATASHEET 3—POST-RAI INFORMATION

Plant Name: **0** **Docket Number:** **0**

Month: **Day:** **Year:**
Date of Operation: **12** **31** **0**

Termination of Operations: **Month:** **Day:** **Year:**

- 1** The minimum financial assurance (MFA) estimate pursuant to 10 CFR 50.75(b) & (c): \$0
- Did the licensee identify the amount of estimated radiological funds? (Y/N)
- Is there a difference between the MFA estimated by the licensee and the NRC? (Y/N)
- Does the licensee provide a reason for the differential? (Y/N)
- Did the RAI resolve all open issues? (Y/N)

- The site-specific cost estimate provided by the licensee: \$0
- Did the licensee provide a site-specific cost estimate? (Y/N)
- Is the licensee assuring to the site-specific cost estimate? (Y/N)
- Is the site-specific cost estimate greater than the MFA estimate pursuant to 10 CFR 50.75(b) & (c)? (Y/N)
- Did the RAI resolve all open issues? (Y/N)

- 2** The total amount of dollars accumulated at the end of the appropriate year: (see below)

Licensee:	% Owned	% Decom Responsibility	Category (1/2)	Amount in Trust Fund:
Licensee 1				\$0
Licensee 2				\$0
Licensee 3				\$0
Licensee 4				\$0
Licensee 5				\$0
Licensee 6				\$0

Total Trust Fund Balance: \$0

- Did the licensee identify the amount in the trust fund is for radiological decommissioning? (Y/N)
- Did the licensee state that the amount in the trust fund is an after-tax amount? (Y/N)
- Did the RAI resolve all open issues? (Y/N)

- 3** Schedule of the annual amounts remaining to be collected: (Provided/None)
- Did the RAI resolve all open issues? (Y/N)

- 4** Assumptions used in determining rates of escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections:

Licensee:	Operations				Decommissioning			
	Return on Earnings	Inflation Rate	Other Rates	Real Rate of Return	Return on Earnings	Inflation Rate	Other Rates	Real Rate of Return
Licensee 1				2.00%				2.00%
Licensee 2				2.00%				2.00%
Licensee 3				2.00%				2.00%
Licensee 4				2.00%				2.00%
Licensee 5				2.00%				2.00%
Licensee 6				2.00%				2.00%

- Did the licensee provide the rate of return on earnings? (Y/N)
- Did the licensee provide the inflation or escalation rate? (Y/N)
- Did the licensee provide the rate(s) of other factors? (Y/N)
- Did the licensee provide the real rate of return? (Y/N)
- PUC Verified? (Y/N)
- Is the real rate of return for decommissioning the same as the operational period? (Y/N)
- Did the RAI resolve all open issues? (Y/N)

- 5** Any contracts upon which the licensee is relying? (Y/N)
- Did the RAI resolve all open issues? (Y/N)

- 6** Any modifications to a licensee's method of providing decommissioning funding assurance? (Y/N)
- Did the RAI resolve all open issues? (Y/N)

- 7** Any material changes to trust agreements? (Y/N)
- Did the RAI resolve all open issues? (Y/N)

If a change has occurred, the reviewer will document on this sheet that a change has occurred and identify the reviewer who will evaluate the change: (see below)

First Analyst Signature:
 Date:
 Second Analyst Signature:
 Date:

DATASHEET 4 - SUMMARY DATASHEET

Plant Name: **0** Docket Number: **0**

Date of Operation: **Month: 12 Day: 31 Year: 0**
 Termination of Operations: **0 0 0**

BWR/PWR	MW _t	1986\$	ECI	Base Lx		<u>Lx</u>	Px	Latest Month Px	Base Px	Fx	Latest Month Fx		<u>Ex</u>		<u>Bx</u>
					0.65							0.13		0.22	

NRC Minimum: _____ Site-Specific: _____

Licensee:	% Owned	% Decom Responsibility	Category (1/2)	Amount of NRC Minimum/Site Specific:	Amount in Trust Fund:	End Balance (From Cash Flow Analysis Sheets)	Other Assurances?	Assurance Amount?	End Balance plus Assurance Total	Does Licensee Pass?
Licensee 1	0.00%	0.00%	0	\$0	\$0	\$0	(Y/N)	\$0	\$0	Yes
Licensee 2	0.00%	0.00%	0	\$0	\$0	\$0	(Y/N)	\$0	\$0	Yes
Licensee 3	0.00%	0.00%	0	\$0	\$0	\$0	(Y/N)	\$0	\$0	Yes
Licensee 4	0.00%	0.00%	0	\$0	\$0	\$0	(Y/N)	\$0	\$0	Yes
Licensee 5	0.00%	0.00%	0	\$0	\$0	\$0	(Y/N)	\$0	\$0	Yes
Licensee 6	0.00%	0.00%	0	\$0	\$0	\$0	(Y/N)	\$0	\$0	Yes
Totals				\$0	\$0	\$0		\$0	\$0	Yes

DATASHEET 5 – CASH FLOW ANALYSIS (LX)

Year (Nom)	Year	Month	Beg Balance:	Expenses:	Contributions	Return on Earnings	Inflation Rate:	Other Rates:	Rate of Return:	End Balance:	
1	2014	1	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Plant Name: 0
1	2014	2	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Docket No. 0
1	2014	3	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Licensee Name: Licensee 1
1	2014	4	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Beginning Balance as of 12/31/14 \$ -
1	2014	5	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	DFS Report Year: 2014
1	2014	6	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Beginning Month of Decommissioning Activities:
1	2014	7	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Beginning Year of Decommissioning:
1	2014	8	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Site-Specific Cost Estimate (Y/N): N
1	2014	9	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Site-Specific Cost Estimate Amount:
1	2014	10	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Operations Return on Earnings: 0%
1	2014	11	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Operations Inflation Rate: 0%
1	2014	12	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Operations Other Rates: 0%
2	2015	1	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Decommissioning Return on Earnings: 0%
2	2015	2	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Decommissioning Inflation Rate: 0%
2	2015	3	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Decommissioning Other Rates: 0%
2	2015	4	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	Minimum Formula: \$ -
2	2015	5	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	End Balance:
2	2015	6	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
2	2015	7	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
2	2015	8	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
2	2015	9	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
2	2015	10	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
2	2015	11	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
2	2015	12	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
3	2016	1	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
3	2016	2	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
3	2016	3	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
3	2016	4	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
3	2016	5	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
3	2016	6	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
3	2016	7	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
3	2016	8	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
3	2016	9	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
3	2016	10	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
3	2016	11	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
3	2016	12	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
4	2017	1	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
4	2017	2	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
4	2017	3	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
4	2017	4	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
4	2017	5	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
4	2017	6	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
4	2017	7	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
4	2017	8	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
4	2017	9	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
4	2017	10	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
4	2017	11	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
4	2017	12	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
5	2018	1	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	
5	2018	2	\$ -	\$ -	\$ -	0.000%	0.000%	0.000%	0.167%	\$0	

Year (Nom)	Year	Expense:	Contributions:
1	2014	\$ -	\$ -
2	2015	\$ -	\$ -
3	2016	\$ -	\$ -
4	2017	\$ -	\$ -
5	2018	\$ -	\$ -
6	2019	\$ -	\$ -
7	2020	\$ -	\$ -
8	2021	\$ -	\$ -
9	2022	\$ -	\$ -
10	2023	\$ -	\$ -
11	2024	\$ -	\$ -
12	2025	\$ -	\$ -
13	2026	\$ -	\$ -
14	2027	\$ -	\$ -
15	2028	\$ -	\$ -
16	2029	\$ -	\$ -
17	2030	\$ -	\$ -
18	2031	\$ -	\$ -
19	2032	\$ -	\$ -
20	2033	\$ -	\$ -
21	2034	\$ -	\$ -
22	2035	\$ -	\$ -
23	2036	\$ -	\$ -
24	2037	\$ -	\$ -
25	2038	\$ -	\$ -
26	2039	\$ -	\$ -
27	2040	\$ -	\$ -
28	2041	\$ -	\$ -
29	2042	\$ -	\$ -
30	2043	\$ -	\$ -
31	2044	\$ -	\$ -
32	2045	\$ -	\$ -

Appendix D

Request for Additional Information Guide

Month Day, 2015
U.S. Nuclear Regulatory Commission

A
1000 Example Road
Example, Maine

REQUEST FOR ADDITIONAL INFORMATION IN RELATION
TO EXAMPLE PLANT'S 2015 DECOMMISSIONING FUNDING STATUS REPORT
Docket No. 50-000

John Doe:

On March 30, 2015, A, on behalf of B and C, submitted to the U.S. Nuclear Regulatory Commission (NRC) their decommissioning funding status report, as required by 10 CFR 50.75(f)(1) (ML Number ML0000000). Within the report, A, B and C reported that they were allowed a real rate of return greater than the amount allowed by the NRC, but did not provide documentation of that allowance. Pursuant to 10 CFR 50.75(f)(1), if A, B and C wish to be allowed the amount greater than the NRC minimum, provide documentation by a PUC, or other regulatory body, of a real rate of return greater than the NRC minimum within 30 days from the date of this letter. If you have any questions or comments, please contact the information below.

Sincerely,

Jane Doe, NRR/DORL
301-415-0000
Jane.doe@nrc.gov

Appendix E

Quality Assurance Plan

This quality assurance (QA) plan is designed to improve the quality of the U.S. Nuclear Regulatory Commission's independent analysis of decommissioning funding assurance and to ensure completion of the biennial review in a timely manner. The biennial review has been automated to ensure a high-quality analysis while reducing the time required for the staff's analysis. Any impediments to meeting this goal should be communicated to the division management as soon as identified.

The QA audit (Step 9) will start following the independent financial analyst's completion of Steps 1–8 after an initial 10 percent (approximately 10 reviews) of the decommissioning funding status (DFS) report reviews.¹ Section 4.1 of LIC-205 defines Steps 1–8. The QA audit is to be completed within 30 days of the start of the QA process, and the QA audit findings are to be addressed within 30 days following the completion of the QA audit. The goal, subject to staffing availability and Commission priorities, is to complete the independent review process, including the QA audit, of the biennial reports within 6 months (see Attachment 6). If the projected 6-month period for review is reduced, the quality of the DFS review may be affected.

In support of the 2011 biennial review, the QA auditor audited the computer-generated analyses for six plants. The QA audit was performed on both sets of analyses to document the validity of the computer code as well as the accuracy of the staff's analyses. If future DFS reviews/analyses are conducted, without any change to the validated computer code, the QA auditor will need to validate only the input that was used for the analysis. The QA auditor will confirm the validity of the code before conducting the audit.

Sample Size

To ensure quality, a QA reviewer will independently examine a sampling of the financial analyst's reviews of the biennial reports. The QA reviewer should check approximately a 10-percent random sample (10 samples/reviews). Of the 10-percent random sample, at least one sample will be selected from each financial analyst. If more than one error is identified in the initial 10-percent sample, the sample size will be increased to 20 percent.

In cases where the QA reviewer expands the sample size based on errors in the initial 10-percent sample, if errors are also confirmed in the expanded sample, the QA reviewer will examine the errors to determine if a "lesson learned" would improve the analysis, highlight the errors, and recommend to the Branch Chief of the Financial Analysis and International Projects Branch the final course of action necessary to ensure a quality product. Management will make the final decision as to whether to implement the corrective action recommended by the QA reviewer or reviewers.

¹ As a result of the QA audit of the 2007 DFS reports, the QA reviewer/reviewers will start their review before the financial analysts complete their review of the DFS reports. If the QA reviewer identifies a critical issue early in the process, this will eliminate the need for the analyst to review and possibly correct all of the completed analyses.

Review Process

Using the datasheets and information submitted by the licensee, the QA reviewer will validate that the financial analyst has accurately performed Steps 1 through 8 identified in LIC-205. For each of the steps, once the QA reviewer completes the analysis and documents the findings on the QA reviewer's datasheets, including signing and dating all the datasheets, the QA reviewer will compare the datasheets to the financial analyst's datasheets. The QA reviewer will document any transcription differences or discrepancies between the two sets of datasheets. The QA reviewer will discuss with the financial analyst any deficiencies identified during the QA audit and resolve the identified discrepancies. Once the QA reviewer and the financial analyst have resolved the discrepancies, the resolution will be documented on the QA reviewer's datasheets. If the financial analyst must make a correction, the financial analyst will note the change on the datasheet and sign and initial the change on the datasheet. Unresolved discrepancies should be immediately brought to the attention of the Branch Chief for resolution.

Quality Assurance Findings

The QA audit findings will be summarized in a memorandum to the Division of Inspection and Regional Support Director. The summary will include a list of the DFS reports audited, deficiencies noted, how the deficiencies were resolved, and any recommended actions that will be taken to avoid future recurrence. In addition, all of the staff's analysis of the DFS reports and the QA audit findings will be placed in an Agencywide Documents Access and Management System folder before the staff informs the Commission of the findings.

Appendix F

Close-Out Example Letter

[Licensee Officer Name]

[Licensee Title]

[Licensee Address]

SUBJECT: NRC'S ANALYSIS OF [LICENSEE NAME]'S DECOMMISSIONING FUNDING STATUS REPORT FOR [PLANT NAME(S)], DOCKET NO(S) [DOCKET NOS] (TAC NO(S) [TAC NOS])

Dear [Licensee Officer's Name]:

By letter dated [date of report], the U.S. Nuclear Regulatory Commission (NRC) received your decommissioning funding status (DFS) report (Agencywide Documents Access and Management System (ADAMS) Accession No. [ML Number]) for [plant name(s)]. By letter dated [Date of RAI], the NRC transmitted a request for additional information (RAI) in relation to your DFS report (ADAMS Accession No. [ML Number]). You responded to the NRC's RAI by letter dated [Date of Response] (ADAMS Accession No. [ML Number]).

The NRC has reviewed and analyzed the decommissioning cost estimate derived from the Title 10 of the *Code of Federal Regulations* (10 CFR) 50.75(c) regulatory formula [or site-specific decommissioning cost estimate] and the amount(s) stated within the licensee's decommissioning trust fund, as of December 31, 20XX, for the above plants, as well as earnings assumptions [, and identify other decommissioning funding assurance mechanisms if applicable].

The NRC has determined, based on 10 CFR 50.75(c), that the minimum amount of decommissioning funding assurance required as of December 31, 20[XX], is \$[NRC minimum(s) for plant(s)] for [plant name].

Based on the reported decommissioning trust balance, together with earnings credits specified under NRC regulations, [and any other financial assurance mechanisms in place,] the NRC has determined that as of December 31, 20[XX], you, as the licensee, are providing a total amount of decommissioning funding assurance in the amount of \$[decommissioning funding assurance for each plant] for [plant name]. For [plant name(s)], because a site-specific decommissioning cost estimate was submitted, the NRC determined that the amount of decommissioning financial assurance you provided was equal to or greater than the minimum required amount.

This letter confirms the correspondence, described above, regarding DFS reports for operating power reactors as required under 10 CFR 50.75(f)(1). As of the date of this letter, considering the available information, the NRC has determined that [licensee] has [not] satisfied the decommissioning funding assurance requirements of 10 CFR 50.75, "Reporting and Recordkeeping for Decommissioning Planning," for [plant name(s)] on December 31, 20[XX]. [If decommissioning funding assurance is not satisfied, include an appropriate followup sentence.] The DFS report analysis is publicly available and can be found at ADAMS Accession No. [ML Number].

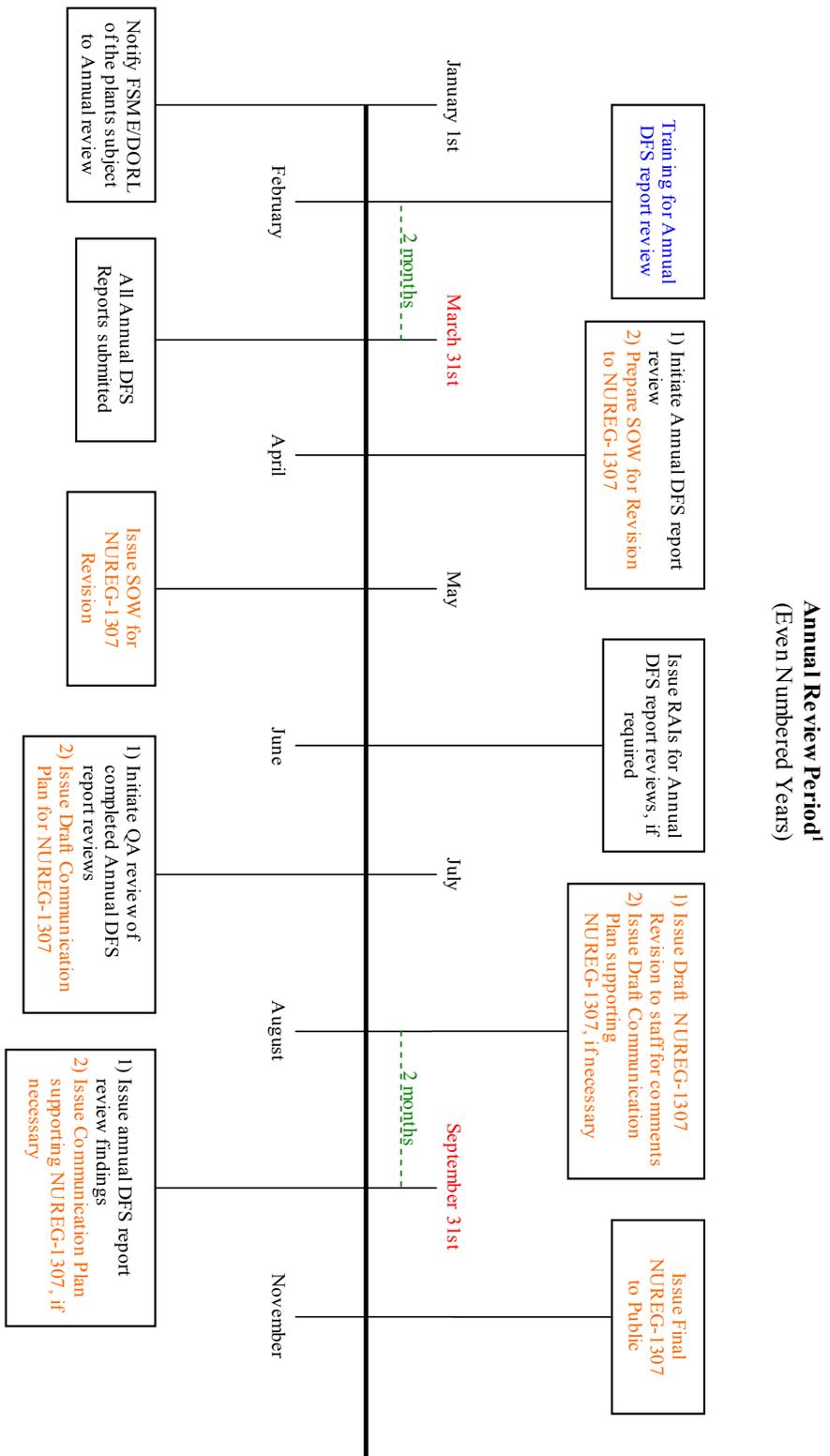
If you have any questions in this matter please contact [Division of Operating Reactor Licensing project manager's name] at [Division of Operating Reactor Licensing project manager's phone number].

Sincerely,

[Name]
[Branch]
[Division]
[Office]

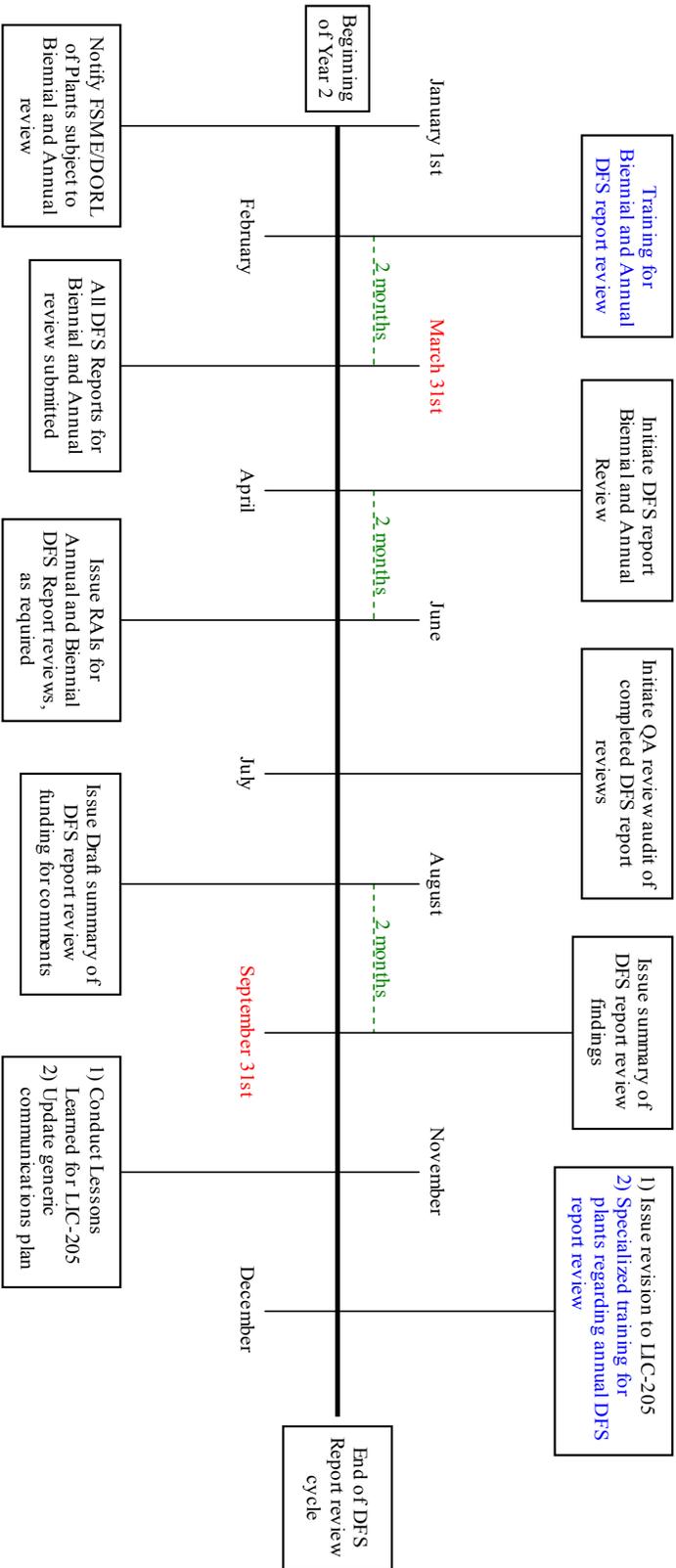
Appendix G

Decommissioning Funding Status Report Milestone Tables



1. 10 CFR 50.75(c)(1) and (2) - DFS Reports are to be submitted at least once every 2 years and for certain situations shall be submitted annually
2. All Milestones start the 1st of the month unless otherwise noted

Biennial and Annual Review Period¹
(Odd Numbered Years)



1. 10 CFR 50.75(f)(1) and (2) - DFS Reports are to be submitted at least once every 2 years and for certain situations shall be submitted annually
2. All Milestones start the 1st of the month unless otherwise noted

Appendix H

Spot-Check Program

The U.S. Nuclear Regulatory Commission (NRC) conducts periodic independent reactor decommissioning trust fund oversight analyses (spot-checks) of licensee bank statements, as directed by the Commission in the January 9, 2008, Staff Requirements Memorandum (SRM) on SECY-07-0197, "Reactor Decommissioning Trust Fund Oversight by Other Agencies and Recommendations Regarding Further Commission Actions." This appendix to the office instruction (OI) defines, documents, and standardizes the process by which the staff performs an independent reactor decommissioning trust fund analysis. The intent is to improve efficiency, effectiveness, consistency, and timeliness in confirming that decommissioning funding status reports, filed by licensees with the NRC, do not contain inadvertent mistakes or, in the worst case, false information.

Background

On February 6, 2006, the Office of the Inspector General (OIG) issued its audit report entitled "Follow-up Audit of the Nuclear Regulatory Commission's Decommissioning Fund Program" (OIG-06-A-07). The audit identified opportunities for improvement in the NRC's decommissioning funding assurance review process for operating reactors. Upon completion of the audit, the OIG concluded that instead of relying on licensees' reports for trust fund balance information, the NRC should require that trustees report trust fund balances directly to the NRC for verification purposes.

The staff, in SECY-06-0065, "Office of the Inspector General Recommendations on Decommissioning Funding Assurance," dated March 23, 2006, stated that it did not believe there was a need to fully implement the OIG recommendations and instead recommended to the Commission that the status quo remain unchanged. The Commission approved the staff recommendations but directed the staff to (1) provide a more detailed discussion of decommissioning trust oversight activities performed by other agencies and organizations and (2) include recommendations for further Commission action.

The staff, in SECY-07-0197, "Reactor Decommissioning Trust Fund Oversight by Other Agencies and Recommendations Regarding Further Commission Action," dated November 7, 2007, proposed three options to the Commission: (1) maintain the status quo, (2) perform periodic spot-checks at licensee offices to examine original statements and other related original documents sent to a licensee from its trustee that disclose the trust fund balance, and (3) initiate rulemaking to require decommissioning trust agreements to provide that trustees shall file statements on the balance of decommissioning trusts directly with the NRC.

The January 9, 2008, SRM in response to SECY-07-0197 approved the second option:

...periodically spot-check at the licensee's offices original statements and related original documents sent to a licensee from its trustee that disclose the trust fund balance...[and] the staff should emphasize that this action is being taken to address a process-oriented observation by the Inspector General, and that there is no evidence of licensees falsifying decommissioning trust fund reports to the NRC.

Spot-Check Process

This procedure identifies nine steps for the staff to complete in the independent reactor decommissioning trust fund spot-check. Steps 1 through 6 must be performed by the financial analyst regardless of any issues; however, Steps 7 through 9 will be used only if potential issues arise from “The Initial Onsite Observations of the Independent Reactor Decommissioning Trust Fund Oversight Analysis” (Initial Onsite Observations), shown in Attachment 1.

Step 1: Training

Before a financial analyst performs a spot-check, it is essential that the financial analyst has a general understanding of trust fund bank statements (in relation to qualified, nonqualified, and commingling of radiological and nonradiological funds). The financial analyst must have been present for a previous spot-check (formal training). Spot checks should be documented within the Agencywide Documents Access and Management System (ADAMS) as nonpublic and non-sensitive. The spot-check summary report or other such documentation should reflect approval of this effort by the Branch Chief (BC) of the Financial Analysis and International Projects Branch (IFIB), and provides detail regarding the staff review and outcome of the spot-check. IFIB should seek to minimize travel expenses affiliated with the spot-check program through various means available to staff, such as combining multiple spot-checks in a geographic area, and/or arranging for and performing spot-checks while on other travel unrelated to the spot-check, such as involvement in training and public meeting activities.

Step 2: Internal and External Contacts

At least 1 month before the spot-check is to be conducted, the financial analyst must request that the appropriate Office of Nuclear Reactor Regulation, Division of Operating Reactor Licensing (DORL) Project Manager (PM) notify the licensee of the upcoming spot-check, including actual or approximate date(s). The licensee should receive at least 10 days notice. The DORL PM should notify the appropriate NRC region of the upcoming spot-check. The financial analyst should confer with the budget coordinator to obtain a technical assignment control number for the spot-check.

Step 3: Planning and Preparation

The financial analyst who will be conducting the spot-check, and any other NRC staff accompanying (for training purposes) the financial analyst on the spot-check, should record all hours expended for the preparation, documentation, travel, and spot-check effort. In addition, the financial analyst must set up the travel accommodations through eTravel to the respective licensee’s location where the original financial documents are maintained.

Step 4: Spot-Check Onsite Documents

Before traveling, the financial analyst should bring the most recent revision of LIC-205 and a copy of the “Initial Onsite Observations of the Independent Reactor Decommissioning Trust Fund Oversight Analysis” worksheet, found in Attachment 1 to this appendix, for each unit and licensee that the financial analyst will be inspecting and, for each unique unit and licensee, the most recently submitted decommissioning funding status (DFS) report.

For example, if the financial analyst is reviewing one unit with two licensees and another unit with one of the same licensees as the first unit, the financial analyst must bring three copies of the Initial Onsite Observations and the DFS report(s) for each unit and licensee.

Step 5: Onsite Review

At the licensee site, the following steps should be taken for each licensee or unit:

- (1) The financial analyst should inform the licensee(s) that the spot-check is being made to address a process-oriented observation by the OIG and that it is driven by a Commission direction to staff.
- (2) For each unique plant or licensee, the financial analyst must: (1) transcribe on the Initial Onsite Observations worksheet for the unit, the licensee, percentage owned of the unit by the licensee, location of the original bank statements, and licensee contact being inspected, (2) analyze any possible discrepancies between the information the licensee submitted in its DFS report, under Title 10 of the *Code of Federal Regulations* (10 CFR) 50.75(f)(1), in relation to the amount accumulated to the end of the calendar year preceding the date of the report and the bank statement(s) the licensee used for the DFS report, (3) determine whether the original documents were verified to show that the trust fund balance is equal to the actual trust balance claimed in the last DFS report,¹ and (4) if possible, determine the reason for the finding in the above substep and note the trustee name, the amount of qualified and nonqualified accounts, whether the trust fund is commingled with nonradiological funds, and any other pertinent information.
- (3) The financial analyst should request² a copy of each licensee's original bank statement(s) from the year preceding the most recent DFS report submittal to the NRC and, if applicable, any internal or external documentation that the licensee has describing a differential between the amount in the market value of the trust fund(s) and the amount reported to the NRC.
- (4) As the information documented on the Initial Onsite Observations worksheet is preliminary, the financial analyst should not disclose observations made in the report at the time of the spot-check to the licensee.

Step 6: Documentation of Initial Findings

After returning to Headquarters, the financial analyst should input the completed Initial Onsite Observations worksheet and any other documentation provided by the licensee into ADAMS as proprietary and nonpublicly available.

Step 7: Determination of Potential Issues and Issuance of Letter

Within 30 days of conducting the spot-check, the financial analyst should determine whether there are any potential issues with the spot-check and develop a memorandum to the DORL PM with the official financial findings. The determination is made on a case-by-case basis. If the financial analyst determines that there are no potential issues with the spot-check, he or she

¹ If the reason the trust fund balance does not match the amount in the DFS report is that the licensee is commingling funds, the analyst should still answer "No" but include the reason for the discrepancy.

² The licensee is not required to provide the bank statements to the financial analyst.

should prepare a memorandum following the template found in Attachment 2 to this appendix. If the financial analyst determines that there are potential issues with the spot-check, he or she should use the template found in Attachment 3 to this appendix in preparing the memorandum. The memorandum will then be transmitted to the respective DORL BC from the IFIB BC. DORL will then issue the letter to the licensee and make it publicly available, unless it contains Sensitive Unclassified Nonsafeguards Information.

Step 8: Request Additional Information Issuance, If Applicable

If potential issues are found within 30 days of the spot-check, but not before the memorandum is prepared, the financial analyst should prepare a request for additional information (RAI) to be sent to the licensee to resolve the potential issue. This action should be done through the DORL PM and should carbon copy OGC.

Step 9: Additional Resolution, If Applicable

Assuming that the RAI response(s) provided to the NRC by the licensee resolve all potential issues, the NRC will submit a “close out” letter to the licensee via DORL. If the RAI response(s) provided to the NRC by the licensee do not resolve all potential issues, then the NRC will proceed on a case-by-case basis to resolve any outstanding issues.

Step 10: Resolution of Potential Issues, If Applicable

If the NRC discrepancies in the DFS reports filed with the agency, depending on the nature and seriousness of the discrepancies, the staff should recommend to the Commission, in the next Commission paper summarizing DFS reports for nuclear power reactors, further modifications to the decommissioning funding assurance program.

RESPONSIBILITIES AND AUTHORITIES

Branch Chief, Financial Analysis and International Projects Branch

The IFIB BC is responsible for oversight of the spot-check review activities. This includes assigning staff to perform the activities identified in this OI and working with the staff to ensure that procedures are followed.

Financial Analyst, Financial Analysis and International Projects Branch

The financial analyst is responsible for the independent reactor decommissioning trust fund spot-check review process, including following the OI and all other regulations and supporting guidance.

Budget Coordinator, Financial Analysis and International Projects Branch

The budget coordinator is responsible for working with the financial analysts and DORL PMs to ensure that the Technical Assignment Control numbers for the spot-check analyses are open under the correct PA codes.

Branch Chief, Division of Operating Reactor Licensing

The DORL BC is responsible for ensuring that the PMs follow the process established in LIC-205.

Project Manager, Division of Operating Reactor Licensing

The DORL PM is responsible for ensuring that the process established in LIC-205 is followed.

PERFORMANCE MEASURES

The financial analyst should complete the Initial Onsite Observations worksheet at the time of the spot-check. The independent reactor decommissioning trust fund oversight analysis is to be completed within 30 days from the completion of that worksheet, if there are no potential issues. If potential issues exist, the memorandum to the licensee and RAI are to be completed within 30 days from the completion of the Initial Onsite Observations worksheet.

ATTACHMENTS

- (1) Initial Onsite Observations of the Independent Reactor Decommissioning Trust Fund Oversight Analysis Worksheet
- (2) Spot-Check Review—No Potential Issues Template
- (3) Spot-Check Review—Potential Issues Template

Attachment 1

**INITIAL ONSITE OBSERVATIONS OF THE INDEPENDENT REACTOR
DECOMMISSIONING TRUST FUND OVERSIGHT ANALYSIS**

UNIT: _____

LICENSEE: _____

PERCENT OWNERSHIP: _____

LOCATION OF REVIEW: _____

LICENSEE CONTACT: _____

ORIGINAL DOCUMENTS VERIFIED TO SHOW TRUST BALANCE IS EQUAL TO ACTUAL
TRUST BALANCE CLAIMED IN LAST DECOMMISSIONING FUNDING STATUS REPORT:

YES NO

ATTACHMENTS PROVIDED: YES NO

OVERSIGHT REVIEW AND AUDIT FINDINGS:

ADDITIONAL COMMENTS:

PERFORMED BY: _____

DATE OF REVIEW: _____

Attachment 2

SPOT-CHECK REVIEW—NO POTENTIAL ISSUES TEMPLATE

TO: [BRANCH CHIEF], Chief
Financial Analysis and International Projects Branch
Division of Policy and Rulemaking

FROM: [STAFF REVIEWER]
Financial Analysis and International Projects Branch
Division of Policy and Rulemaking

SUBJECT: NRC STAFF'S SPOT-CHECK REVIEW OF [LICENSEE]'S [PERCENTAGE OWNERSHIP] OWNERSHIP INTEREST IN [NUCLEAR POWER PLANT(S) AND DOCKET NOS.] ON [DATE]—FINDING OF NO POTENTIAL ISSUES

Pursuant to SRM to SECY-07-0197, "Reactor Decommissioning Trust Fund Oversight by Other Agencies and Recommendations Regarding Further Commission Action," dated January 8, 2008 (ADAMS Accession No. ML080100481), the U.S. Nuclear Regulatory Commission (NRC) staff has been instructed to perform spot-checks on licensees to ensure that the amount reported to the NRC in the decommissioning funding status (DFS) report is equivalent to the amount the licensee has in its bank account, as of December 31 of the preceding year. After providing at least 10 days prior notice, the NRC staff, on [DATE], performed the spot-check at [LOCATION OF INFORMATION], where [LICENSEE] holds/receives the original bank statements for [NUCLEAR POWER PLANT(S)] from [NAME OF TRUSTEE].

After the NRC staff's spot-check of [NUCLEAR POWER PLANT(S)] at the location of the original bank statements, the NRC staff found no issues related to the amount reported to the NRC in the [YEAR] DFS report of [AMOUNT REPORTED TO THE NRC] and the stated amount in the bank statements dated December 31, [YEAR]. The bank statements of [LICENSEE] [were/were not] divided between [NUMBER] qualified bank account(s) and [NUMBER] nonqualified bank account(s). The total of all of the accounts [IS/IS NOT] equivalent to the amount provided to the NRC in the [YEAR] DFS report.

[IF NOT EQUIVALENT], [LICENSEE] provided the NRC staff with documentation of the reason for the discrepancy between the total amount in the bank statements, as of December 31, [YEAR], and the amount reported to the NRC in the [YEAR] DFS report. The NRC allows for commingling of both nonradiological and radiological funds in the same bank account. [LICENSEE] provided the NRC staff with the distribution between radiological and nonradiological funds as [AMOUNT/PERCENTAGE OF RADIOLOGICAL] and [AMOUNT/PERCENTAGE OF NONRADIOLOGICAL], respectively. The internal documentation provides that the amount designated to the NRC for radiological decommissioning in the December 31, [YEAR], bank statement is equivalent to the amount reported to the NRC in the DFS report.

Because no issues were found in the NRC staff's spot-check of [NUCLEAR POWER PLANTS], this memo serves to close out Technical Assignment Control (TAC) No(s). [TAC NOs].

Attachment 3

SPOT-CHECK REVIEW—POTENTIAL ISSUES TEMPLATE

TO: [BRANCH CHIEF], Chief
Financial Analysis and International Projects Branch
Division of Policy and Rulemaking

FROM: [STAFF REVIEWER]
Financial Analysis and International Projects Branch
Division of Policy and Rulemaking

SUBJECT: NRC STAFF'S SPOT-CHECK REVIEW OF [LICENSEE]'S [PERCENTAGE OWNERSHIP] OWNERSHIP INTEREST IN [NUCLEAR POWER PLANT(S) AND DOCKET NOS.] ON [DATE]—FINDING OF POTENTIAL ISSUES

Pursuant to SRM to SECY-07-0197, "Reactor Decommissioning Trust Fund Oversight by Other Agencies and Recommendations Regarding Further Commission Action," dated January 8, 2008, the U.S. Nuclear Regulatory Commission (NRC) staff has been instructed to perform spot-checks on licensees to ensure that the amount reported to the NRC in the decommissioning funding status (DFS) report is equivalent to the amount the licensee has in its bank account, as of December 31 of the preceding year. After providing at least 10 days prior notice, the NRC staff, on [DATE], performed the spot-check at [LOCATION OF INFORMATION], where [LICENSEE] holds/receives the original bank statements for [NUCLEAR POWER PLANT(S)] from [NAME OF TRUSTEE]. [PROVIDE ANY UNIQUE INFORMATION—E.G., KEEP INFORMATION AT ANOTHER LICENSEE'S LOCATION/OTHER LICENSEE IS RESPONSIBLE FOR REPORTING TO NRC.]

After the NRC staff's spot-check of [NUCLEAR POWER PLANT(S)] at the location of the original bank statements, the NRC staff found potential issues related to the amount reported to the NRC in the [YEAR] DFS report of [AMOUNT REPORTED TO THE NRC] and the stated amount in the bank statements dated December 31, [YEAR]. The bank statements of [LICENSEE] [were/were not] divided between [NUMBER] qualified bank account(s) and [NUMBER] nonqualified bank account(s). The total of all of the accounts is not equivalent to the amount provided to the NRC in the [YEAR] DFS report.

[IF COMMINGLING], [LICENSEE] provided the NRC staff with documentation of the breakdown of the commingling of funds, allowed by the NRC to prevent unnecessary costs to the licensee, within the qualified and nonqualified bank accounts. [LICENSEE] provided the NRC staff with the distribution between radiological and nonradiological funds as [AMOUNT/PERCENTAGE OF RADIOLOGICAL] and [AMOUNT/PERCENTAGE OF NONRADIOLOGICAL], respectively. The internal documentation provides that the amount designated to the NRC for radiological decommissioning in the December 31, [YEAR], bank statement is not equivalent to the amount reported to the NRC in the DFS report. The total discrepancy between the amount provided as NRC radiological funds and the amount reported to the NRC in the DFS report is [DIFFERENCE].

During the meeting with [LICENSEE], the NRC staff member noted the discrepancy in their findings. [MENTION ANY INTERACTION BETWEEN NRC STAFF AND LICENSEE IN RELATION TO EXPLANATION OF DISCREPANCY.]

Because potential issues were found in the NRC staff's spot-check of [NUCLEAR POWER PLANTS], further action may be required.