**SAFETY EVALUATION FOR THE DOMINION ENERGY KEWAUNEE, INC.
NOTICE OF PARENT COMPANY GUARANTEE AND REQUEST TO DISCONTINUE
EXISTING PARENT SUPPORT AGREEMENT FOR
KEWAUNEE POWER STATION; DOCKET NO. 50-305**

1.0 INTRODUCTION

By letter dated January 28, 2015 (Agencywide Documents Access and Management System (ADAMS) Accession No. ML15034A312), Dominion Energy Kewaunee, Inc. (DEK) submitted a Commitment for Parent Company Guarantee (PCG) and Notice of Request to Discontinue Existing Parent Support Agreement (PSA) (Notice) for Kewaunee Power Station (KPS) from Dominion Resources, Inc. (DRI) to the U.S. Nuclear Regulatory Commission (NRC) for its written concurrence with the termination of the Support Agreement.

DRI is the ultimate parent company of DEK, the licensee of KPS. The PCG provides additional assurance to address any potential shortfalls in decommissioning funding assurance for KPS, up to $60 million. DEK currently has in place a $60 million PSA, issued by DRI.

2.0 REGULATORY BASIS

The Notice is made pursuant to the requirements of Title 10 of the *Code of Federal Regulations* (10 CFR) Part 30, Appendix A, “Criteria Relating to Use of Financial Test and Parent Company Guarantees for Providing Reasonable Assurance of Funds for Decommissioning,” as referenced in NUREG-1757, Volume 3, Revision 1, “Consolidated Decommissioning Guidance – Financial Assurance, Recordkeeping, and Timeliness” and Condition 2 in the NRC’s June 10, 2004, Order (ADAMS Accession No. ML041280012) that approved the transfer of the KPS operating license to DEK.

10 CFR Part 30 Appendix A (III)(A) states:

> The parent company guarantee will remain in force unless the guarantor sends notice of cancellation by certified mail to the licensee and the Commission. Cancellation may not occur, however, during the 120 days beginning on the date of receipt of the notice of cancellation by both the licensee and the Commission, as evidenced by the return receipts.

Condition 2 of the Order states:

> Dominion Energy Kewaunee shall take no action to cause Dominion Resources, Inc., or its successors and assigns, to void, cancel, or diminish their $60 million contingency commitment to Dominion Energy Kewaunee, the existence of which is represented in a Support Agreement in a letter to the NRC dated February 18, 2004, or cause them to fail to perform or impair their performance under the commitment, or remove or interfere with Dominion Energy Kewaunee’s ability to draw upon the commitment. Also, Dominion Energy Kewaunee shall inform the NRC in writing any time that it draws upon the $60 million commitment.

Evaluation of supporting decommissioning funding assurance information is performed pursuant to 10 CFR 50.82, “Termination of License.” Section 50.82(a)(8)(vi) states:

> If the sum of the balance of any remaining decommissioning funds, plus earnings on such funds calculated at not greater than a 2 percent real rate of return, together with the amount provided by other financial assurance methods being relied upon, does not cover the estimated cost to complete the decommissioning, the financial assurance status report must include additional financial assurance to cover the estimated cost of completion.

3.0 BACKGROUND

On April 4, 2013, DEK requested exemptions, pursuant to 10 CFR 50.12, from 10 CFR 50.82(a)(8)(i)(A) and 50.75(h)(1)(iv) for KPS (ML13098A031). On November 6, 2013, DEK provided supplemental information (ML13312A219) in support of the exemption requests. In the supplement, DEK agreed that, in lieu of an existing PSA, DEK would provide a letter from its ultimate parent, DRI, making the following commitments:

1. In the event that additional financial assurance beyond the amounts contained in the remaining Trust Fund for KPS is required pursuant to NRC regulations to complete radiological decommissioning and spent fuel management at KPS, DRI will provide or (if already existing) increase a PCG to provide a total in parental assurance of up to 10 percent of the remaining balance or $60 million, whichever is less.

2. Any PCG provided pursuant to this commitment will comply with applicable NRC requirements in 10 CFR 50.75(e)(1)(iii) and Appendix A to 10 CFR Part 30.

3. DRI will provide ongoing information pertaining to its continuing ability to provide additional financial assurance by submitting by March 31, of each year in connection with DEK’s annual financial assurance status report, (1) information demonstrating the results of the financial test in either Paragraph II.A.1 or Paragraph II.A.2 of Appendix A to 10 CFR Part 30 for the immediately preceding calendar year; and (2) a letter from its independent certified public accountant attesting to the data and accuracy of the financial test.

4. DRI will not modify or withdraw these commitments without prior written NRC consent.

5. DRI agrees that it would be subject to the NRC’s authority to issue such orders as may be necessary to enforce DRI’s commitments.

In addition, the letter containing the supplemental information stated that the new commitments “would replace the Support Agreement (PSA), which would be terminated upon NRC approval of the exemption request.” The NRC granted the requested exemptions on May 21, 2014 (ML13337A287).

The current PSA provides for $60 million in additional financial assurance to cover fixed operating and maintenance (O&M) costs that KPS would expect to incur over a 6-month outage period and NRC requirements to cover meeting any of DEK's expenses and NRC requirements, through such time as KPS has been decommissioned and the KPS site has been restored in accordance with applicable laws and orders. While the PSA is subject to Condition 2 of the [Transfer] Order, which prohibits DEK from taking action to cause DRI to void, cancel or diminish the PSA, the licensee argues that the condition does not explicitly prevent DRI from replacing the PSA with the new commitment (PCG).

4. ANALYSIS

4.1 Request to Discontinue Existing Parent Support Agreement

The staff reviewed all references provided in the Notice regarding the cancellation of the current PSA and commitment of the new PCG, including the *Commitment Letter from Dominion Resources, Inc. to U.S. NRC*. According to the Safety Evaluation that served as the basis for the Order, the original amount associated with PSA amount was put in place to cover O&M costs for a 6-month outage period during operations and was later expanded, in both amount and scope, to any expenses. Additionally, at the time of the Order, there were no issues with decommissioning funding assurance for KPS. Since KPS is no longer in operation, the original basis for the PSA is no longer applicable. However, based on the expanded scope of the PSA, the staff considered the language in the Order and exemption request approval, as well as the current status of KPS decommissioning funding assurance.

The staff agrees with the licensee's argument that the Order does not specifically preclude replacing the existing PSA with a new commitment. Furthermore, the PCG commitment is equivalent, in both amount and scope, to the existing PSA, and the modification or withdrawal of the commitments is not allowed without prior written NRC consent, inherently keeping the purpose of the PSA intact. The staff further notes that the NRC approved DEK's exemption request, which explicitly states that the PCG will replace the PSA. Furthermore, the exemption request approval specifically notes and takes into account the new commitment of the PCG, not the PSA.

Additionally, on March 27, 2015, DEK submitted its annual decommissioning funding status report (ADAMS Accession No. ML15093A101), pursuant to 10 CFR 50.75(f)(1) and 10 CFR 50.82(a)(8)(v)-(vii), for KPS. Based on the reported decommissioning trust balance, together with earnings credits specified under NRC regulation 10 CFR 50.82, and without considering additional assurance of $60 million, the staff found that DEK satisfied the decommissioning funding assurance requirements of 10 CFR 50.82. Regardless of the current status of decommissioning funding assurance, the new commitments provide NRC staff additional assurance that funds will be available for radiological decommissioning and spent fuel management costs for KPS.

4.2 Financial Test for a Parent Company Guarantee

The *Commitment Letter from Dominion Resources, Inc. to U.S. NRC*, reviewed by staff during the evaluation of the Notice included information required to conduct the annual financial test for a PCG. The attachments to this letter, issued by the Senior Vice President and Treasurer of DRI, included the financial test, pursuant to the requirements of 10 CFR Part 30, Appendix A, Section II(A)(2), and an Independent Accountants' Report on Applying Agreed-Upon Procedures issued by Deloitte & Touche, LLP, for the DRI PCG.

Fundamental to the financial test is the determination that DRI has a tangible net worth that is at least six times the value of the PCG obligations. DRI has a tangible net worth of $7,996 million against total PCG of $60 million rendering a ratio of 133. DRI's values of tangible net worth and ratio of tangible net worth to PCG obligation both exceed the minimums required by the financial test.

5.0 CONCLUSION

The NRC staff finds that DEK's request to terminate the existing PSA for KPS is reasonable based on the new commitments enacted by DRI upon the approval of DEK's "Request for Exemptions from 10 CFR 50.82(a)(8)(i)(A) and 50.75(h)(1)(iv)," which was granted on May 21, 2014. The new commitments include a PCG of up to $60 million and are similar in scope to the existing PSA. Therefore, the NRC has no objection to the cancellation of the $60 million PSA, issued by DRI, for KPS.

Furthermore, regarding the new PCG, the staff finds that DRI complied with the requirements of 10 CFR Part 30, Appendix A, and specifically provided the information required in 10 CFR Part 30 Appendix A(C)(1).

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Date: July 1, 2015