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SUBJECT: Forwards documentation of telcon between Dusaniwskyj of NRC & J McManeus of DPC re NRC decommissioning funding status rept filed on 990331, per M Dusaniwskyj request.

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M. S. Tuckman  
Executive Vice President  
Nuclear Generation

August 12, 1999

Document Control Desk  
U. S. Nuclear Regulatory Commission  
Washington, DC 20555

Subject: Documentation of June 14, 1999 Phone Conversation Between  
Mr. Michael Dusaniwskyj of the U. S. Nuclear Regulatory Commission (NRC) and  
Ms. Jane McManeus of Duke Energy Corporation (Duke) Concerning the NRC  
Decommissioning Funding Status Report filed on March 31, 1999

By letter dated March 31, 1999, Duke Energy Corporation submitted the required  
Decommissioning Financial Assurance reports pursuant to 10 CFR 50.75(f)(1).  
Mr. Michael Dusaniwskyj of the NRC staff contacted Ms. Jane McManeus of Duke on June 14,  
1999 to discuss the information contained in the reports. Mr. Dusaniwskyj requested that Duke  
provide documentation of the conversation in a letter to the NRC. Per the request, attached is the  
documentation of the phone conversation.

If there are any questions, please contact Jane McManeus at 704-382-0949.

Very truly yours,

M. S. Tuckman

Attachment

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August 12, 1999

Page 2

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August 12, 1999

Michael S. Tuckman  
Executive Vice President  
Nuclear Generation

This memo is to document a telephone conversation between Michael Dusaniwskyj of the NRC and Jane McManeus of Duke Power on June 14, 1999 concerning reports pursuant to 10 C.F.R. 50.75 (f)(1) that were filed with the NRC on March 31, 1999 by Duke Power.

Questions were asked with reference to the "NRC Decommissioning Funding Status Report", dated March 31, 1999, for Oconee Unit 1, as follows:

1. Why is item number 3, the amount remaining, not equal to the difference between items 1 and 2, the minimum fund estimate less the amount accumulated? *Answer:* The amount reported in item 3, "amount remaining" was computed independently from items 1 and 2. Item 3, the amount remaining to be funded, is the product of the current annual fund contribution and the remaining number of years until the unit retirement date. This amount reflected in Item 3 does not include the effects of fund earnings during the referenced period. Our current annual fund contributions are based upon our 1994 decommissioning study. We are currently conducting a new decommissioning study, in accordance with NRC guidance to update our site specific decommissioning cost estimates at least every 5 years.
2. Did Duke's state commissions approve the rate of return assumption for the qualified fund stated in item #4? *Answer:* Neither the North Carolina Utilities Commission (NCUC) nor the Public Service Commission of South Carolina (PSCSC) explicitly approved the current rate of return assumption for the qualified fund, although both commissions were provided information related to the 1994 decommissioning study results which included such details.

The answer above was given during the telephone conversation. Additional details regarding this response are set forth below.

In 1991, both state commissions authorized a nuclear depreciation rate which included a provision for decommissioning costs within cost of service during respective rate cases, based on Duke's 1990 decommissioning study. In 1995, Duke Power advised its state utilities commissions of the results of the 1994 decommissioning studies by presenting the results to the Public Staff of the North Carolina Utilities Commission and by sending a letter to the Executive Director of the Public Service Commission of South Carolina. The information presented included details concerning the earnings rate assumptions for the external funds. Duke explained that fund earnings were expected to be higher as a result of the IRS lifting Black Lung restrictions on certain fund investments. Duke's recommendation was to maintain the existing decommissioning provision in cost of service and included an earnings rate for the external fund of 5.9% or 1.4% above the assumed inflation rate. This recommendation was not challenged by the states' utilities commissions.

At the conclusion of the telephone conversation, Mr. Dusaniwskyj requested that a letter be sent to the NRC documenting the June 14, 1999 conversation and copied to the NRC Document Control Desk. Please forward as appropriate.

Sincerely,



Jane McManeus, Director  
Asset Accounting