



OFFICE OF THE
INSPECTOR GENERAL

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

May 31, 2017

MEMORANDUM TO: Victor M. McCree
Executive Director for Operations

FROM: Dr. Brett M. Baker /RA/
Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF NRC'S
DECOMMISSIONING FUNDS PROGRAM (OIG-16-A-16)

REFERENCE: DIRECTOR, OFFICE OF NUCLEAR REACTOR REGULATION,
MEMORANDUM DATED APRIL 28, 2017

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations as discussed in the agency's response dated April 28, 2017. Based on this response, recommendations 3, 4, 6, 7 and 8 are closed and recommendations 1 and 2 remain in a resolved status. Please provide an updated status of the resolved recommendations by September 29, 2017.

If you have any questions or concerns, please contact me at (301) 415-5915 or Eric Rivera, Team Leader, at (301) 415-7032.

Attachments: As stated

cc: R. Lewis, OEDO
H. Rasouli, OEDO
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J. Bowen, OEDO
EDO_ACS_Distribution

Audit Report

AUDIT OF NRC'S DECOMMISSIONING FUNDS PROGRAM

OIG-16-A-16

Status of Recommendations

Recommendation 1: Clarify guidance to further define "legitimate decommissioning activities" by developing objective criteria for this term.

Agency Response Dated April 28, 2017: Staff continues to work with industry and other stakeholders to in an attempt to better clarify objective criteria for identifying "legitimate decommissioning activities" that may be expended from decommissioning trust funds (DTFs). As part of that effort, the Nuclear Energy Institute (NEI) submitted to the U.S. Nuclear Regulatory Commission (NRC) for its consideration and possible endorsement, NEI 15-06, "Use of the Nuclear Decommissioning Trust Fund (October 2016). "This document attempts to provide guidance to assist licensees in identifying costs to be appropriately reimbursed from a nuclear decommissioning trust consistent with the definition of decommissioning in the Title 10 of the Code of Federal Regulations (10 CFR) 50.2, "Definitions." This document is also informed by the experience of a number of nuclear plants that are, or have transitioned from operations to decommissioning. Staff are currently considering whether NEI 15-06 is sufficient and responsive to this recommendation, and can be incorporated into staff guidance.

Target date for completion: August 24, 2017

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives and reviews the clarified guidance and determines that it further defines "legitimate decommissioning activities."

Status: Resolved.

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Status of Recommendations

Recommendation 2: Develop and issue clarifying guidance to NRC staff and licensees specifying the instances when an exemption is not needed.

Agency Response Dated
April 28, 2017:

The staff is continuing to prepare a draft industry generic communication in the form of a Regulatory Issue Summary (RIS) to clarify guidance on the appropriate use of the decommissioning trust fund. The RIS will be informed by recent operating experience associated with licensing actions to withdrawal or redistribute funds within a master decommissioning trust, the transition of operating reactors to decommissioning and use of the DTF for non-radiological purposes, the concept of commingling funds, recent staff interpretations of NRC decommissioning funding regulations at 10 CFR 50.75, 10 CFR 50.82, and 10 CFR 72.30, including Independent Spent Storage Installation decommissioning, and stakeholder interest in trust fund investment restrictions. The draft RIS is expected to be published for public comment prior to being finalized towards the end of June 2017.

OIG Analysis: Target date of completion: June 27, 2017

The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives and reviews the clarifying guidance to NRC staff and licensees specifying the instances when an exemption is not needed.

Status: Resolved.

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Status of Recommendations

Recommendation 3: Prepare and document an analysis to evaluate

- a. If requiring a site-specific cost estimate is more efficient and effective than using the formula.
- b. If using a range of costs based on MWt is more efficient and effective than using the formula.
- c. If the formula needs updating.

Agency Response Dated
April 28, 2017:

The staff has prepared and documented an analysis to evaluate the recommendations presented by the Office of the Inspector General (OIG).

Staff evaluated the efficiency and effectiveness of using the minimum formula approach for estimating the bulk of radiological decommissioning cost, compared that approach to the possible use of site-specific decommissioning planning and cost data generated by licensees, and considered potential requirements that licensees fund to the SSCE level throughout the life of the facility. In considering the use of a formula-derived cost approach, staff also evaluated how the formula amount may be more effectively represented by use of a range of costs based on the size (MWt) of U.S. reactor licensees.

Based on the OIG recommendation, staff also evaluated the efficiency and effectiveness of adjusting and updating the minimum formula. Additionally, staff continues to evaluate current and alternative decommissioning funding options through a decommissioning rulemaking effort currently underway and referenced in the cited document.

Staff is evaluating possible paths forward in light of the conclusions reached in performing these analyses and from information gathered in the decommissioning rulemaking process. Based on this update, staff considers the status of this recommendation as closed.

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Status of Recommendations

Recommendation 3 (cont'd):

Date of completion: April 12, 2017

OIG Analysis: OIG auditors reviewed the agency's analysis that evaluated

- a. If requiring a site-specific cost estimate is more efficient and effective than using the formula;
- b. If using a range of costs based on MWt is more efficient and effective than using the formula;
- c. If the formula needs updating.

This analysis meets the intent of the recommendation and therefore, this recommendation is closed.

Status: Closed.

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Status of Recommendations

Recommendation 4: Update LIC-205 to assure that the staff's independent verification of licensees' decommissioning funding assurance includes steps to verify data is accurate and current.

Agency Response Dated April 28, 2017: The staff issued LIC-205, Revision 6, on April 3, 2017 to include provisions for verifying that data (e.g., MWt values) relied upon for its independent verification of a licensees' decommissioning funding assurance is current and accurate. Based on this update, staff considers the status of this recommendation as closed.

OIG Analysis: OIG auditors reviewed the updated LIC-205 and determined that it includes steps in the staff's independent verification of licensees' decommissioning funding assurance to verify data is accurate and current. This recommendation is therefore closed.

Status: Closed.

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Status of Recommendations

- Recommendation 6: Revise NRR Office Instruction LIC-205 to include
- a. Guidance on conducting annual decommissioning financial assurance reviews for plants in decommissioning.
 - b. Reference to training qualifications/certifications described in ADM-504, *Qualification Program*, Revision 3.
 - c. Recordkeeping requirements to document employee completed training.

- Agency Response Dated April 28, 2017: The staff issued LIC-205, Revision 6, to include
- a) Guidance on conducting annual decommissioning financial assurance reviews for plants in decommissioning;
 - b) Reference to training qualifications/certifications described in ADM-504, *Qualification Program*, and
 - c) Recordkeeping requirements to document employee competed training.

- OIG Analysis: OIG auditors reviewed the revised NRR Office Instruction LIC-205 and determined that it includes
- a. Guidance on conducting annual decommissioning financial assurance reviews for plants in decommissioning;
 - b. Reference to training qualifications/certifications described in ADM-504, *Qualification Program*, Revision 3; and
 - c. Reference to recordkeeping requirements to document employee completed training in ADM-504.

This recommendation is therefore considered closed.

Status: Closed.

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Status of Recommendations

Recommendation 7: Develop procedures for maintaining documentation of decommissioning financial assurance reviews performed by NMSS.

Agency Response Dated April 28, 2017: Staff developed procedures for maintaining documentation of decommissioning financial assurance reviews performed by NMSS in response to this recommendation. The procedures were issued on March 31, 2017. Currently, the procedures are on the Division of Decommissioning, Uranium Recovery, and Waste Programs' internal SharePoint site. There is another initiative underway to update all of the Division's operations procedures and combine them into one manual. The new financial assurance procedures will be incorporated into this manual and modified to cite cross-cutting issues (e.g., criterial for generating and documenting requests for additional information). The new financial assurance procedures address the guidance to be used for the various reviews performed by the staff, the use of the SharePoint site to track final approvals (Recommendation 8), and the documentation for items maintained within the safe.

Based on this update, staff considers the status of this recommendation as closed.

OIG Analysis: OIG auditors reviewed the procedures for maintaining documentation of decommissioning financial assurance reviews performed by NMSS on the internal SharePoint site and determined the procedures meet the intent of this recommendation. This recommendation is therefore closed.

Status: Closed.

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Status of Recommendations

Recommendation 8: Develop and implement a mechanism to track NMSS decommissioning financial assurance reviews.

Agency Response Dated
April 28, 2017:

Staff developed a spreadsheet to track when decommissioning funding assurance reviews are due from licensees, identify the last approved review, and have a general status of the current review, if one is currently in process. Detailed tracking of the current review is done via the business line's operations plan. On January 13, 2017, the staff published a proof of concept for the tracking system to the SharePoint site using a .pdf from a master file but discovered issues in usability and maintenance. On March 30, 2017, the staff released to the SharePoint site, a revised version of the tracking system that is an Excel spreadsheet that is stand-alone (i.e., can be modified and maintained directly). The spreadsheet separates the licensees into various categories by the general class of operations or decommissioning at the site. In addition to tracking financial actions related to individual licensees, the spreadsheet has a section to track the timeliness of the internal and external audits performed per Management Directive 8.12. The spreadsheet is available at the Division of Decommissioning, Uranium Recovery, and Waste Programs' internal SharePoint site. As per the procedures (developed as part of Recommendation 7), the financial analysts will maintain the status of current reviews through the process and, also, update the most recent approved reviews as the license amendments or review letters, as appropriate, are issued to the licensees.

Based on the update, staff considers the status of this recommendation as closed.

OIG Analysis: OIG auditors reviewed the spreadsheet to track decommissioning funding assurance reviews on the SharePoint site and determined it meets the intent of this recommendation. This recommendation is therefore considered closed.

Status: Closed.