



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

OCT 15 1979

PDR

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MEMORANDUM FOR: Robert M. Bernero, Assistant Director  
for Material Safety Standards  
Division of Engineering Standards, SD

FROM: Robert F. Burnett, Director  
Division of Safeguards, NMSS

SUBJECT: REVIEW OF PRELIMINARY DRAFT STAFF PAPERS ON  
DECOMMISSIONING: NUREG-0584 ON FINANCIAL  
ASSURANCE AND NUREG-0590 ON REGULATORY CHANGES

The two above listed NUREG documents are informative, well written, and technically sound. They are well suited for serving as a basis for formulating recommendations for policy and regulatory changes with respect to decommissioning of nuclear facilities. The following commentary is intended only to suggest consideration of several discounted cash flow techniques for analyzing financial alternatives other than the net present value (NPV) method.

NUREG-0584 uses NPV as a discounted cash flow decision criterion in evaluating the relative effectiveness of alternative financial assurance mechanisms. There are two other discounted cash flow approaches, however, which might be worth considering. The internal rate of return (IRR) criterion and the terminal value (TV) criterion are often used in evaluating financial alternatives. The TV method is less often used than either the IRR or NPV methods, and may not be appropriate for the decommissioning financial analysis problem. The IRR approach should probably be considered, however. While NPV and IRR give equivalent results in some situations, these two discounted cash flow decision criteria sometimes give contradictory "accept/reject" finance signals. For example, often it is necessary to rank finance decisions. This occurs when capital is rationed or when two or more finance opportunities are mutually exclusive. Consideration might, therefore, be given to evaluating the merit of using IRR, or even TV, in addition to or in the place of NPV in analyzing decommissioning financial alternatives.

Robert F. Burnett, Director  
Division of Safeguards, NMSS

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NOTE TO: Document Control  
Room 016

FROM: G. D. CALKINS  
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Please place the attached documents in the PDR using the following file and  
file points:

PDR File  
(Select One)

Related Documents  
(Enter if appropriate)

Proposed Rule (PR) 20, 30, 40, 50, 70  
Reg. Guide \_\_\_\_\_  
Draft Reg. Guide \_\_\_\_\_  
Petition (PRM) \_\_\_\_\_  
Effective Rule (RM) \_\_\_\_\_

ACRS Minutes No. \_\_\_\_\_  
Proposed Rule (PR) \_\_\_\_\_  
Draft Reg. Guide \_\_\_\_\_  
Reg. Guide \_\_\_\_\_  
Petition (PRM) \_\_\_\_\_  
Effective Rule (RM) \_\_\_\_\_  
Federal Register Notice 43 FR 1037  
SD Task No. EP-900-1  
NUREG Reports 0500, 0500, 0500, 0500  
Contract No. \_\_\_\_\_

Subject: DECOMMISSIONING OF  
Nuclear Reactors  
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