



DUKE POWER

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December 4, 1990

U.S. Nuclear Regulatory Commission
1 White Flint North, Rockville Pike
Building 11555
Rockville, Maryland 20862

Attention: Mr. Robert S. Wood

Reference: Oconee ISFSI Decommissioning Funding

Gentlemen:

In response to your letter, dated October 5, 1990, regarding Duke Power Company's decommissioning funding plan for the Oconee Independent Spent Fuel Storage Installation (ISFSI), Duke provides the following information.

In the October 5, 1990 letter, the Staff posed three questions regarding Oconee ISFSI decommissioning funding plan. The first and third questions posed concerned the appropriate funding methodology for an ISFSI owned by an electric utility. With regard to these two questions, Duke has discussed the application of ISFSI decommissioning funding requirements to the Oconee ISFSI with the NRC Staff contact identified in the October 5, 1990 letter. Based on those discussions, Duke understands the Staff concurs that 10 C.F.R. Section 72.30(c)(5) allows electric utility ISFSI licensees to employ an external sinking fund without coupling with a surety or insurance mechanism. Duke has, therefore, provided decommissioning funding for the Oconee ISFSI in accordance with Section 72.30(c)(5). With this clarification, Duke understands that questions one and three of the October 5, 1990 letter are resolved.

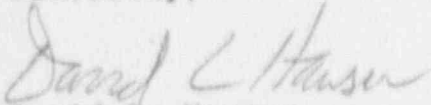
With respect to the second questions, concerning the inclusion of the Oconee on-site spent fuel storage installation in the master trust agreement, Duke would point out that the terminology "and associated facilities" set forth in the trust agreement ("Recitals of the Company" Section) is intended to encompass such a facility. Further, as noted in Duke's certification letter for the Oconee ISFSI, dated July 24, 1990, the funding plan or the trust includes such a facility. Also as noted in that certification letter, Duke intends to obtain specific rate

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treatment for Oconee Unit 3 decommissioning, including this facility, in the next rate proceeding. At that time, Duke intends to seek an IRS redetermination of the qualified funding levels for Oconee Unit 3 and associated facilities under Internal Revenue Code Section 468A. Duke will address appropriate modification of the master trust agreement to reflect the IRS requalification at that time.

We trust this additional information addresses your questions. Should you have further questions, please call David L. Hauser at (704) 373-5963.

Sincerely,


David L. Hauser
Controller

DLH/acr

cc: Mr. L. A. Wiens
Mr. J. P. Roberts