

UNITED STATES OF AMERICA
 NUCLEAR REGULATORY COMMISSION

In The Matter of)	
YANKEE ATOMIC ELECTRIC COMPANY)	Docket No. 50-29
(Yankee Plant))	License No. DPR-3

APPLICATION FOR PARTIAL EXEMPTION

Pursuant to 10 CFR Section 171.11, Yankee Atomic Electric Company ("Yankee") hereby applies for a partial exemption from the requirements of Section 171.15 of the Commission's rules and regulations.

Supporting Statement

In support of this application, Yankee submits the following:

1. Yankee is a Massachusetts corporation organized in 1954 and is an "electric utility" as defined in 10 CFR Section 2.4(a). ~~Yankee is the holder~~ of NRC License No. DPR-3, dated July 19, 1960.
2. Sections 171.11 and 171.15 were recently adopted by the Commission, and Section 171.15 imposes an annual license surcharge on power reactor licensees, which for fiscal 1987 is \$950,000. This surcharge is in addition to the Commission's Part 170 license fees, which are use related. See Annual Fee for

Power Reactor Operating Licenses and Conforming Amendment, 51 Fed. Reg. 33,224 (September 18, 1986) (Final Rule).¹

Section 171.11 provides for exemptions from that annual fee. The exemption provision states as follows:

An exemption under this provision may be granted by the Commission taking into consideration the following factors:

- (a) Age of the reactor;
- (b) Size of the reactor;
- (c) Number of customers in rate base;
- (d) Net increase in KWh cost for each customer directly related to the annual fee assessed under this part; and
- (e) Any other relevant matter which the licensee believes justifies the reduction of the annual fee.

These criteria are addressed in the paragraphs that follow.

3. The Yankee plant is a 175 net MWe pressurized water reactor that began operating on November 10, 1960. Yankee is the oldest operating commercial nuclear power plant in the United States. Yankee's operating license expires in 11 years, and its current power contracts expire in only 5 years.²

1/ Yankee is seeking judicial review of the final rule imposing the Part 171 license fee, and submission of this exemption application is not intended to waive any of Yankee's objections to the rule.

2/ Pursuant to the power contracts referred to in the text, Yankee sells all of its energy production to 10 New England utilities, each of which sponsored Yankee's construction in the 1950's and are today Yankee's sole shareholders. Those sponsoring utilities, in turn, resell energy purchased from
(Footnote 2 Continued on Next Page

4. Aside from being the oldest commercial reactor, Yankee is one of the smallest commercial nuclear power plants in the United States.

5. A surcharge of \$950,000 in license fees will increase Yankee's power costs by nearly 1 mill per kilowatt hour (KWH) (a charge comparable to the entire cost of waste disposal, as presently assessed by DOE). Please note that this surcharge is on top of our current Part 170 license fees of more than \$200,000 per year.

6. An increase of this magnitude is unreasonable for such a small reactor. The impact on Yankee power costs will be approximately six times as great as it will be for a typical large, current vintage plant.

7. The decision to renew the Yankee power contracts in 1991 will be based on economics, which for a small plant like Yankee are at best marginal. Current Yankee production costs are nearly 4 cents/KWH, whereas many plants in New England have pro-

(Footnote 2 Continued from Previous Page)

Yankee to their own wholesale and retail markets. Yankee has no other customers.

In this connection, it should also be noted that Yankee is often referred to as a "single asset" utility. Yankee was formed for the exclusive purpose of constructing and operating New England's first nuclear plant. Unlike other utilities, Yankee will not construct any future generating facilities, nuclear or otherwise. Once the Yankee plant is removed from service and decommissioned, Yankee Atomic will cease to operate as a utility company.

duction costs of less than three cents. An increase of \$950,000 in license fees on a small plant like Yankee will widen this gap still further. The intent of the Section 171.11 exemption provision is to avoid such adverse impacts on the operators of small, older reactors. See 51 Fed. Reg. at 33,227, col. 2.³

8. The sensitivity of a small reactor to increased expenses is clear in a recent analysis of 1985 nuclear utility operating and maintenance (O&M) costs (Attachment A). The study shows that despite an excellent capacity factor (80%), and tight budget controls, Yankee's O&M costs are close to the highest in the industry.

9. Furthermore, because of its small size, Yankee poses less of a potential hazard than most other commercial plants (inventory of fission product is proportional to size). Moreover, Yankee is located in a very remote area, which reduces the hazard to the public still further.

3/ Section 171.11 also refers to "[n]umber of customers in rate base" and "[n]et increase in KWh cost for each customer directly related to the annual fee assessed under this part." Yankee has no retail customers; as noted, all of its energy production is sold to the 10 New England utilities that own Yankee as energy supply for their respective systems. And, as indicated above, Yankee estimates that the Part 171 license fee will increase Yankee's cost per kilowatt hour by approximately 1 mill, which is about 6 times greater than the increase that will be experienced by more recent vintage plants.

10. The requested exemption is also justified in view of the fact that many of the generic costs underlying the Part 171 annual fee are not relevant to Yankee Atomic. See generally, 51 Fed. Reg. 24,078, 24,079 (1986) (Proposed Rule). This includes costs associated with the following:

NRC research directed to future plant designs (id. at 24,079, col. 3) (as explained previously, Yankee is a single-asset utility and will not construct any generating plant, nuclear or otherwise, in the future);

NRC research directed toward verified thermal hydraulic computer codes (id. at col. 2), development of probabilistic risk assessment (PRA) technology (id. at col. 3) and earth sciences research (id. at 24,080, col. 1) (since its inception, Yankee has independently developed substantial in-house, state-of-the-art analytical capabilities for plant engineering and design, including NRC-approved thermal hydraulic codes, fuel performance models and methods to assess seismological risk -- examples of reports which describe these capabilities are YAEC 1234, YAEC 1274P, YAEC 1300 and YAEC 1331); indeed, Yankee was licensed as an Atomic Energy Act section 104(b) power reactor demonstration project for, among other things, research and development of power reactor technology. See 1 A.E.C. 26 (1957);

NRC research and regulation directed to large, contemporary plants and advanced future designs (id. 24,079 at col. 2 and 24,080 at col. 3), e.g., plant siting criteria, construction quality assurance and vendor topical reports related to standard designs;

Review of applications for licenses to operate nuclear power reactors (id. at 24,080, col. 3);

Specialized inspection and enforcement measures (id. at 24,081, col. 1) (Yankee Atomic has an excellent overall record of high performance and reliability and receives consistently high SALP ratings, see Attachment B).

11. The different status of small, older generation plants has been recognized in other regulatory contexts as well, e.g., the Commission's property insurance and backfitting rules (10 C.F.R. §§ 50.54(w) and 50.109). Simply put, because kilowatt-hour production for small, older generation plants is an order of magnitude lower than that of more recent plants, the different cost-benefit relationship of various expenses, including the new Part 171 fees, must be recognized.

12. Therefore, Yankee submits that a surcharge of \$950,000 on top of our current license fees (approximately \$200,000 per year) is unreasonable for the small Yankee plant, which is located in a rural area and has an excellent safety, regulatory and enforcement record. Yankee requests that the Part 171 fee imposed on it not exceed \$50,000. We feel that this amount should be more than adequate to recognize the benefit to Yankee of the various costs that are to be recovered through the Part 171 fees.

13. In addition, repeating the exemption application process each year would be costly and time consuming for the Staff as well as Yankee. For that reason, the partial exemption requested here should be made permanent. The facts that support this application will not change in any way that would undermine the validity of the exemption.

14. Finally, Yankee would welcome the opportunity to meet at the Staff's convenience to discuss this application; if additional information is needed in connection with the application, please contact the undersigned.

Conclusion

Based upon the foregoing, Yankee respectfully requests that it be granted a permanent, partial exemption from the requirements of 10 CFR Section 171.15. It is Yankee's position that the surcharge levied on top of our Part 170 license fees should not exceed \$50,000.

Respectfully submitted,

YANKEE ATOMIC ELECTRIC COMPANY

By A. R. Soucy
A. R. Soucy
Treasurer and
Chief Financial Officer

1671 Worcester Road
Framingham, Massachusetts 01701

Telephone: 617-872-8100

Dated: October 21, 1986



UNITED STATES
 NUCLEAR REGULATORY COMMISSION
 WASHINGTON D C 20555

APR 15 1987

Docket No. 50-29

Yankee Atomic Electric Company
 ATTN: Mr. A. R. Soucy, Treasurer
 1671 Worcester Road
 Framingham, MA 01701

Gentlemen:

By application dated October 21, 1986, your Company requested a partial and permanent exemption from the annual fee requirements of 10 CFR 171 for your Yankee Plant. Specifically, you requested that the annual fee be reduced from \$950,000 per year to \$50,000 per year. In your application, you stated that the Yankee Plant is the oldest and one of the smallest commercial nuclear power plants with a generating capacity of 175 MWe. It is your conclusion that the impact of the annual fees on "Yankee power costs will be approximately six times as great as it will be for a typical large, current vintage plant" and this is not reasonable for a small reactor such as yours.

We have completed our evaluation of your application in accordance with the provisions of 10 CFR 171.11 and from this evaluation we have determined that a partial exemption is appropriate for the Yankee Plant. The \$950,000 annual fee has been reduced to \$183,000. This partial exemption is limited to FY 1987 only and, therefore, is not a permanent exemption from the fee requirements of 10 CFR 171.

To determine the most equitable method of adjusting the annual fee for your plant, various approaches were considered. These approaches are enclosed for your information. As you can see from the enclosure, the approaches were for fees based on the (1) thermal MW power rating (this adjustment approach could only be considered because it had been determined that the Yankee Plant met the intent of 10 CFR 171.11), (2) impact on the licensee, (3) comparison of mill rate increases, and (4) licensed operating life of the reactor. Although the results were fairly close in dollar amounts, the amounts for items 1 and 2 were averaged to determine an equitable and fair adjustment of \$183,000 for the Yankee Plant.

Since your Company has made the first FY 1987 quarterly payment of \$237,500 and your annual fee for FY 1987 has been reduced to \$183,000, we are taking the necessary steps to refund the sum of \$54,500 to you by electronic transfer. We plan to complete this wire transfer within a week after your receipt of this letter.

~~8704200156~~ 3pp

Yankee Atomic Electric Company 2

If there are questions regarding this matter, contact Mr.
Ronald M. Scroggins or 301/492-4750.

Sincerely,

Victor Stello, Jr.
Executive Director
for Operations

Enclosure:
Computation of Proposed
Adjusted Annual Fees

Enclosure

COMPUTATION OF PROPOSED ADJUSTED ANNUAL FEE TO BE
ASSESSED USING THE AVERAGE OF TWO METHODS SHOWN BELOW^{1/}

<u>Methods Used to Determine Adjusted Fee:</u>	<u>Yankee Rowe</u>
1. Thermal Megawatt Rating Ratio Plant/Average Plant ^{2/}	600 Mwt 2671 Mwt \$211,000
2. Comparable impact of Annual Fee on Plant Kilowatt hour costs ^{3/}	\$156,000
3. Proposed Adjusted Annual Fee - Average of methods 1 and 2 (% of Unadjusted Annual Fee)	\$183,000 (19%)
<u>Other Items For Comparison:</u>	
Increase in mill rate ^{4/}	1 mill per Kwh
Remaining years of operation	14/40 35%

^{1/} Once the determination is made that a partial exemption, in the form of an adjusted fee, is appropriate and after applying the factors in 10 CFR 171.11, several possible methods may be used to determine the adjusted fee either singly or in combination. Using these two methods, the resultant dollar amounts were averaged to arrive at the adjusted annual fee. The adjusted fee under Part 171 is collected in addition to fees collected under 10 CFR 170.

^{2/} Under this method, the adjusted fee is determined by multiplying the unadjusted annual fee (\$940,000) by the thermal megawatt rating of the plant divided by the average thermal megawatt rating of the 101 licensed plants (2671 Mwt).

^{3/} Under this method, the unadjusted annual fee (\$940,000) is adjusted such that the incremental kilowatt-hour costs for the plant are similar to the incremental costs for larger modern plants.

^{4/} The amount of increase if the 10 CFR 171 annual fee of \$950,000 were to be used.



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20548

March 29, 1988

Docket No. 50-29

Yankee Atomic Electric Company
ATTN: Mr. A. R. Soucy, Treasurer
1671 Worcester Road
Framingham, Mass 01701

Gentlemen:

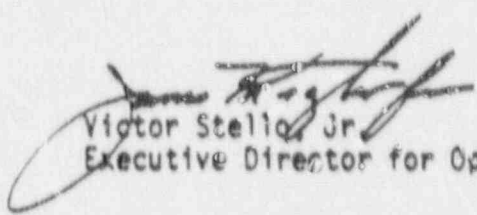
Your application dated September 16, 1987, requested that the 10 CFR 171 FY 1988 annual fee for the Yankee Plant be reduced to \$178,000 of the published annual fee of \$936,000. You cited as the bases for such exemption the smallness and age of the plant; its low generating capacity of 175 MWe; and that the impact of annual fees is approximately 6 times greater than for a typical large, current vintage plant.

From our evaluation of your application in accordance with 10 CFR 171.11, we have determined that a partial exemption of the FY 1988 annual fee is appropriate for the Yankee Plant. Therefore, an exemption is hereby approved. This exemption results in a reduction of the annual fee to 19 percent of the \$936,000 using the averaging method applied in the exemption approved for FY 1987 on April 15, 1987. Accordingly, the Yankee Plant annual fee is currently \$180,000. Enclosed is Invoice No. G0612 for this amount.

As you are aware, legislation was signed in December 1987 which requires NRC to collect 45 percent of its FY 1988 budget of \$392.8M in fees under 10 CFR 170 and 171. Consequently, the FY 1988 annual fee amount of \$936,000 will be adjusted. At such time as the amount of the increased annual fee under 10 CFR 171 for FY 1988 has been determined, your Company will be billed for an additional sum which will be 19 percent of the increase for each plant. On this basis, your Company will be issued another invoice for annual fees for FY 1988.

If there are any questions regarding this exemption, contact Mr. C. James Holloway, Jr., on 301/492-7225.

Sincerely,


Victor Stello, Jr.
Executive Director for Operations

Enclosure:
Invoice for \$180,000

~~8804050201~~ 388

INVOICE		INVOICE NUMBER
<small>MAKE CHECKS PAYABLE TO THE U.S. NUCLEAR REGULATORY COMMISSION, WRITE THE INVOICE NUMBER ON THE CHECK, AND MAIL TO:</small> U.S. NUCLEAR REGULATORY COMMISSION OFFICE OF RESOURCE MANAGEMENT DIVISION OF ACCOUNTING AND FINANCE WASHINGTON, DC 20548		00612
<small>TO:</small> Yankee Atomic Electric Company ATTN: Mr. A. R. Doucy, Treasurer 1671 Worcester Road Framingham, MA 01701		<small>INVOICE DATE</small> March 29, 1988
		<small>LOCATION NUMBER OF institution</small> DPR-3
		<small>REFERENCE NUMBER OF institution</small>
		<small>CONTACT</small>
		<small>NAME</small> Janet M. Rodriguez
		<small>TELEPHONE</small>
		<small>AREA CODE</small> <small>NUMBER</small> 492-4200
DESCRIPTION	AMOUNT	
Fiscal Year 1988 annual fee pursuant to 10 CFR 171	\$180,000.00	
Plant Name: Yanker-Rowe		
Docket No.: 50-29		
Note: Legislation was signed in December 1987 which requires NRC to collect 45 percent of its FY 1988 budget of \$392.2M in fees under 10 CFR 170 and 171. Consequently, the FY 1988 annual fee amount will be adjusted. At such time as the amount of the increased annual fee under 10 CFR 171 for FY 1988 has been determined, your Company will be billed for an additional sum which will be 2.5 percent of the increase for each plant. On this basis, your Company will be issued another invoice for annual fees for FY 1988.		
AMOUNT DUE		
		\$180,000.00
TERMS: Method of Payment. Payment of the amount shown on this invoice must be made by electronic transfer of funds in accordance with the attached procedures. Interest. Interest will accrue from the invoice date at the annual rate of 6 percent. Payment is due on the invoice date. However, interest will be waived if payment is received within 30 days from the invoice date.		
NOTE: For NRC debt collection procedures, including interest and penalty provisions, see 31 U.S.C. 3717, 4 CFR 101-105, and 10 CFR 15. Additional Terms and Conditions are on the reverse side of this form.		

ADDITIONAL TERMS AND CONDITIONS

Refund. The U.S. Nuclear Regulatory Commission (NRC) will refund any overpayment in accordance with 10 CFR 171.21, to include any interest paid by the licensee on such amount. NRC may not pay interest on the principal amount of the annual fee which was paid to NRC and is later refunded.

Penalty Charge and Administrative Costs. A penalty charge will be assessed on any portion of a debt that is delinquent for more than 90 days at the annual rate of 6 percent (4 CFR 102.13(e)). This charge shall be calculated on or after the 91st day of delinquency, but shall accrue from the date that the debt became delinquent. For this purpose, a debt is "delinquent" if it has not been paid by the invoice date. Administrative costs will be assessed against a debt that remains delinquent for over 30 days; such assessment shall be based on the annual additional costs incurred in processing and handling the delinquent debt, but not less than \$ 0.00 per month.

Other Consequences for Failure to Pay on a Timely Basis.

- a) If a quarterly installment of the annual fee is not received within 30 days from the invoice date, the balance of the annual fee becomes due and payable, with interest and penalties calculated from the invoice date (10 CFR 171.25).
- b) If the annual fee is not paid when due, the Commission may refuse to process any application submitted by or on behalf of the person with respect to any license issued to the person, and may suspend or revoke any licenses held by the person (10 CFR 171.25). The suspension or revocation of a license does not waive or affect any debt due from a licensee.

Application for Exemption from the Annual Fee Pursuant to 10 CFR 171.11.

- a) The NRC will not extend its 30-day-interest-waiver period because of the submission of an application for exemption from the annual fee pursuant to 10 CFR 171.11.
- b) If the NRC grants an exemption, the NRC will make an adjustment upon invoicing the balance of the annual fee and will make a refund only to the extent that the annual fee payment(s) received from the licensee exceed the adjusted annual fee.



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

JAN 17 1989

Docket No. 50-29

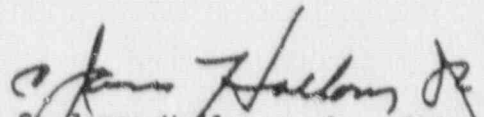
Yankee Atomic Electric Company
ATTN: Mr. A. R. Soucy
Treasurer and Chief
Financial Officer
580 Main Street
Bolton, MA 01740-1398

Gentlemen:

We received your letter dated January 5, 1989, requesting a partial exemption from the fee requirements of 10 CFR 171 for the Yankee Plant for FY 1989. Our review of your request will be completed as soon as possible. When we have reached a decision on it, a letter will be sent to you providing the results of our review.

Your Company will not be billed for any annual fee payments for the Yankee Plant for FY 1989 while your application is under consideration.

Sincerely,


C. James Holloway, Jr., Chief
License Fee Management Branch
Division of Accounting and Finance
Office of Administration and
Resources Management

~~8901180324~~ IP



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

SEP 28 1990

Docket No. 50-29

Yankee Atomic Electric Company
ATTN: Mr. H. T. Tracy, Jr.
Treasurer
580 Main Street
Bolton, MA 01740-1398

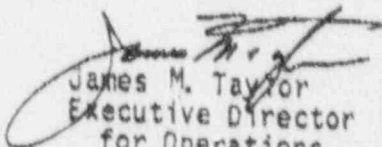
Gentlemen:

By application dated January 26, 1990, your company requested a partial exemption from the annual fees of 10 CFR 171 for the Yankee Plant. You requested that the fees be reduced to 19% of the Yankee Plant fee of \$1,021,00 for a total FY 1990 annual fee of \$193,990. The bases for this partial exemption are essentially the same as those provided and considered in your previously approved applications for partial exemptions for FY's 1987, 1988, and 1989.

We have completed our review of your request. Based on the size and age of the Yankee Plant, its low operating capacity, and the impact of annual fees, we have determined that a partial exemption is appropriate. Therefore, pursuant to the provisions of 10 CFR 171.11, a partial exemption is hereby granted for the Yankee Plant. The annual fee is reduced from the FY 1990 rate of \$1,021,000 to \$193,990. This amount equates to 19% of the plant's annual fee. Enclosed is an invoice for \$193,990.

If there are any questions regarding this exemption, contact Doug Weiss on 301-492-7716.

Sincerely,


James M. Taylor
Executive Director
for Operations

Enclosure:
Invoice No. T0113-91 for \$193,990

~~9010100120~~ 18