



DUKE POWER

July 27, 1990

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

RE: Decommissioning Financial Assurance Certification
Report for Duke Power Company, Co-Owner of Catawba
Nuclear Station Units 1 and 2, NRC Operating Licenses
NPF-35 and NPF-52, NRC Docket Nos. 50-413 and 50-414

Dear Sir or Madam:

Duke Power mailed to you a combined co-owner filing for the Catawba Nuclear Station on July 25, 1990.

It has subsequently come to our attention that the NCMPAL section of this above referenced filing is incomplete due to a copying error.

Attached to this letter is a revised NCMPAL section. To update your filing, please remove the entire NCMPAL section and replace it with the attached.

Sincerely,

David L. Hauser

DLH/rs

Attachment

cc: Dr. K. N. Jabbour - Nuclear Regulatory Commission
Robert S. Wood - Nuclear Regulatory Commission
Al Conyers - North Carolina Municipal Power Agency No. 1
L. E. Waters - North Carolina Electric Membership Corporation
Neil Keane - Piedmont Municipal Power Agency
Joseph Mulholland - Saluda River Electric Cooperative

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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

Report and Certification Concerning Financial Assurance
for Nuclear Decommissioning Costs
Submitted by
North Carolina Municipal Power Agency Number 1
(Catawba Units 1 and 2)

Pursuant to 10 C.F.R. Sections 50.33(k)(1) and 50.75(b), North Carolina Municipal Power Agency Number 1 ("Power Agency") hereby submits its Report and Certification concerning financial assurance for nuclear decommissioning costs of the Catawba Nuclear Station (Facility Licenses Nos. NPF-35 and NPF-52). This Report and Certification describes Power Agency's cost responsibility for decommissioning costs and sets forth the method selected by Power Agency, pursuant to the Commission's Regulations, of providing financial assurance for decommissioning.

A. Power Agency's Cost Responsibility for Decommissioning

Power Agency is a public body and body corporate and politic organized under the laws of the State of North Carolina for the purpose, among other things, of acquiring, owning and operating facilities for the generation and transmission of electric power and energy. Power Agency is the all requirements bulk power supplier to 19 cities and towns in North Carolina that have entered into Project Power Sales Agreements and Supplemental Power Sales Agreements with Power Agency.

In 1978, Power Agency acquired a 75% undivided ownership interest in Unit No. 2 at the Catawba Nuclear Station pursuant to contracts entered into with Duke Power Company ("Duke"). Each of the Units of the Catawba Station contains a Westinghouse pressurized water reactor nuclear steam supply system, and each Unit has a licensed thermal power rating of 3,411 MWt. Catawba Unit 1 began commercial operation on June 29, 1985, and Catawba Unit 2 began commercial operation on August 19, 1986. Other co-owners of the Catawba Nuclear Station are: Piedmont Municipal Power Agency (25% ownership interest in Unit 2); North Carolina Electric Membership Corporation (56.25% ownership interest in Unit 1); Saluda River Electric Cooperative, Inc. (28.125% ownership interest in Unit 1); and Duke (25% ownership interest in Unit 1).

The contractual arrangements for joint ownership of the Catawba Nuclear Station include a capacity exchange between the two Units which entitles each of the co-owners to a specific portion of the electric power and energy produced by the Station as a whole. In recognition of this exchange arrangement, each co-owner has agreed to bear a corresponding portion of the cost of decommissioning Catawba Unit 1, Catawba Unit 2 and the Catawba Station as a whole. Pursuant to the exchange arrangement, Power Agency is entitled to 37.5% of the electric power and energy produced by the Catawba Station. Correspondingly, under Section 20.2 of the Operation and Fuel Agreement between Duke and Power Agency, Power Agency is obligated to pay 37.5% of the cost to

decommission the entire Catawba Station, or any portion (or Unit) thereof. A copy of Article 20 of the Operation and Fuel Agreement is attached as Appendix A.

B. Method of Providing Financial Assurance for Decommissioning

Power Agency hereby certifies that financial assurance for its share of the cost of decommissioning Catawba Unit 1 and Catawba Unit 2 is provided in the amount of \$51,502,500 (1990 dollars) for each such Unit. This amount represents Power Agency's 37.5% share of the minimum financial assurance amount of \$137,340,000 for each of the Catawba Units. The minimum financial assurance amount for each Catawba Unit is equal to the amount of \$105 million (January 1986 dollars) per unit set forth in 10 C.F.R. § 50.75(c)(1), escalated to January 1, 1990 in accordance with the formula set forth in 10 C.F.R. § 50.75(c)(2). The calculation of the minimum financial assurance amount is shown in detail in Appendix B. The minimum financial assurance amount will be recalculated annually.

The method by which Power Agency will provide financial assurance for its share of the cost of decommissioning the Catawba Station is the establishment of two external sinking funds into which deposits will be made annually. These external sinking funds have been established in the form of two decommissioning trust funds: the Catawba Unit No. 1 Decommissioning Trust Fund and the Catawba Unit No. 2 Decommissioning Trust Fund. These trust funds are established

under the terms of a Decommissioning Trust Agreement effective as of June 29, 1990 between Power Agency and Wachovia Bank & Trust Company, N.A. of Winston-Salem, North Carolina ("Wachovia"). A copy of the Decommissioning Trust Agreement is attached as Appendix C. Wachovia is a national bank having authority to act as a trustee, and its trust operations are regulated by the Office of the Comptroller of the Currency. The Decommissioning Trust Agreement was executed on Power Agency's behalf by its Chairman and Assistant Secretary-Treasurer, each of whom was duly authorized by Resolution R-7-90 adopted by Power Agency's Board of Commissioners on June 20, 1990, which resolution is attached as Appendix D. Section 8.2 of the Decommissioning Trust Agreement describes the "Permitted Investments" in which trust fund monies may be invested. Power Agency intends that any such investments shall satisfy the criteria stated in Section 2.2.4 of the NRC's Regulatory Guide 1.159, "Assuring the Availability of Funds for Decommissioning Nuclear Reactors" (prepublication release of May, 1990). Attached as Appendix E is a copy of the opinion of Poyner & Spruill, counsel to Power Agency, to the effect that, under North Carolina law, assets in the Decommissioning Trust Funds should not be subject to claims of creditors of the trustee, Power Agency or a third party entitled to payment from a Decommissioning Trust Fund, except to the extent that such creditors were entitled to payment from the Decommissioning Trust Fund.

Power Agency will make deposits into the Decommissioning Trust Funds at least annually. The first such deposit will be made on or before December 31, 1990. Attached as Appendix F is the schedule of deposits that will implement the method of providing financial assurance for decommissioning described above. The assumptions supporting this schedule of deposits are set forth in Appendix F. As shown in Appendix F, these deposits (and investment earnings) are projected to result in sufficient monies being on deposit to meet Power Agency's share of the minimum financial assurance amount for Catawba Unit 1 and Catawba Unit 2, escalated to the month in which the operating license for each of the Catawba Units expires. (The calculation of the minimum financial assurance amount, escalated to the month in which the operating license for each Catawba Unit expires, is shown on Appendix B.) At least every five years, Power Agency will recalculate the schedule of annual deposits to reflect the effects of actual experience and changes in projected values for inflation and fund earnings.

C. Further Information

Any additional information concerning the subject matter of the foregoing Decommissioning Report and Certification may be obtained by contacting:

Mr. William H. Batt
Assistant Secretary - Treasurer
North Carolina Municipal Power Agency Number 1
P.O. Box 29513
Raleigh, North Carolina 27626-0513
Telephone: (919) 832-9924

Submitted this 16th day of July, 1990

NORTH CAROLINA MUNICIPAL POWER
AGENCY NUMBER 1

By:

Mr. W. Clay Jr.
(Name)
Chairman
(Title)

Report and Certification Concerning Financial Assurance
for Nuclear Decommissioning Costs
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(Catawba Units 1 and 2)

LIST OF APPENDICES

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| Appendix A | A copy of Article 20 of the Operation and Fuel Agreement between North Carolina Municipal Power Agency Number 1 and Duke Power Company. |
| Appendix B | Calculation of Minimum Financial Assurance Amounts for Catawba Unit 1 and Catawba Unit 2. |
| Appendix C | A copy of the Decommissioning Trust Agreement between North Carolina Municipal Power Agency Number 1 and Wachovia Bank & Trust Company, N.A. |
| Appendix D | A copy of Resolution R-7-90 of Power Agency's Board of Commissioners (adopted June 20, 1990). |
| Appendix E | Opinion of Poyner & Spruill, counsel to Power Agency, concerning the Decommissioning Trust Funds. |
| Appendix F | Schedule of Deposits to the Decommissioning Trust Funds. |

Appendix A

A copy of Article 20 of the Operation and
Fuel Agreement between North Carolina
Municipal Agency Number 1 and Duke Power
Company.