

PDR

January 17, 1973

0-263

A. Giambusso, Deputy Director for Reactor Projects  
Directorate of Licensing

CONVERSION OF PROVISIONAL OPERATING LICENSE TO FULL-TERM  
OPERATING LICENSE - FINDING OF FINANCIAL QUALIFICATION

Mr. Skovholt's January 4, 1973 memorandum requested an explanation of the OGC determination that a financial analysis of the licensee, Northern States Power Company (NSP), and a finding under 10 CFR §50.57(a) of financial qualification, among other things, was necessary to support the conversion of the Monticello provisional operating license (POL) to a full-term operating license (FTL). Because a financial analysis and finding of financial responsibility was made two years ago when the POL was issued to NSP, it could be argued that a financial analysis, etc., are unnecessary at this time. Based on a review of the Monticello circumstances, it is manifest that a further analysis and finding are necessary.

The Commission regulations governing the issuance of the Monticello POL were set forth in certain provisions of 10 CFR §50.57 in effect prior to March 1970 (since deleted from Part 50). These regulations provided that the term of the POL was limited to 18 months and that the Applicant must be financially responsible to engage in the activities authorized by the POL, namely, operate the reactor for an 18-month period. Consistent with this requirement, the Atomic Safety and Licensing Board (ASLB) in its initial decision dated August 1970 found:

The Applicant estimates an average annual cost of \$8.8 million for each of the first five years of operation. The record indicates that the Applicant's operating revenues will be ample to cover these costs. (Initial Decision, p. 15)

The regulatory staff's safety evaluation report was the basis for the ASLB's findings. It also discussed only the first five years of operation (see page 56).

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Since the finding necessary to support the issuance of the FTL is that the licensee is financially responsible to operate the reactor for 40 years and, thereafter, to decommission the reactor, it is obvious that the POL financial analysis and finding of financial responsibility will not suffice for this purpose.\*

Your inquiry also questions whether or not it will be necessary to undergo a financial review in every case involving conversion of a POL to a FTL. Assuming the same circumstances as those discussed above, the question is answered in the affirmative.

Original Signed by Thomas F. Engelhardt

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Chief Hearing Counsel

\*It should be noted that investor-owned utilities are in the midst of unprecedented construction programs that have caused these companies to resort continuously to the bond and stock markets for financing. In such circumstances (NSP is no exception), the financial posture of a utility can change significantly from year to year.

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