

October 29, 1998

Mr. Joseph H. Deuchler
561 Rosewood Drive
Lanoka Harbor, NJ 08734

Dear Mr. Deuchler:

I have been asked to respond to your letter to Senator Connors, dated September 12, 1998, regarding the possible closure of Oyster Creek Nuclear Generating Station (OCNGS) and the possible impact that closure may have on the economy and the environment of the community.

Primarily because of the established economic regulatory process, the U.S. Nuclear Regulatory Commission (NRC) has exercised limited financial oversight of electric utility licensees. The electric industry's move away from traditional rate-based regulation toward increased competition in a deregulated marketplace could have an adverse impact on the long-term ability of utilities to adequately finance safe operation and decommissioning of their nuclear power plants.

Although the NRC is not usually involved in economic or rate regulation, over the years the agency has recognized a possible relationship between adequate financing and safe operations. Licensees' efforts to reduce spending could result in smaller, less-experienced workforces; reductions in maintenance and capital budgets; shorter refueling outages, during which certain maintenance is performed; and a decline in training resources. The NRC must ensure that economic pressures do not result in reduced safety margins at operating nuclear plants and do not impair a licensee's ability to fully finance decommissioning at a plant after it is shut down.

It also should be noted that the staff has historically not found a strong correlation between levels of operation and maintenance (O&M) and capital additions expenditure and measures of safety performance. Many plants have increased capacity factors and reduced O&M costs and continue to demonstrate excellent safety performance. The NRC will continue to monitor OCNGS through the inspection process and other plant performance indicators used to assess safe plant operation.

With respect to some other issues you raised, and as indicated by your 9th District representatives in a letter to you dated September 30, 1998, there is considerable activity at the State level to develop long-term strategies to address the socioeconomic and environmental issues surrounding the OCNGS facility.

I hope this letter is responsive to your concerns regarding the safe operation of OCNGS until a final decision is made regarding the future operation of the facility.

Sincerely,

Original signed by:

Cecil O. Thomas, Director
Project Directorate I-3
Division of Reactor Projects - I/II
Office of Nuclear Reactor Regulation

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