



UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

ATOMIC SAFETY AND LICENSING BOARD

In the Matter of

ENERGY NUCLEAR OPERATIONS, INC.,
ENERGY NUCLEAR PALISADES, LLC,
HOLTEC INTERNATIONAL, and HOLTEC
DECOMMISSIONING INTERNATIONAL,
LLC

(Palisades Nuclear Plant and Big Rock Point
Site)

Docket No(s). 50-255-LT-2
50-155-LT-2
72-007-LT
72-043-LT-2

ASLBP No. 22-974-01-LT-BD01

Hearing Exhibit

Exhibit Number:

Exhibit Title:

Dominion Energy Kewaunee, Inc.
5000 Dominion Boulevard, Glen Allen, VA 23060
Web Address: www.dom.com



November 6, 2013

ATTN: Document Control Desk
U. S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Serial No. 13-074A
LIC/CDS/R1
Docket No.: 50-305
License No.: DPR-43

DOMINION ENERGY KEWAUNEE, INC.
KEWAUNEE POWER STATION
SUPPLEMENT TO REQUEST FOR EXEMPTIONS FROM 10 CFR 50.82(a)(8)(i)(A)
AND 50.75(h)(1)(iv)

By letter dated April 4, 2013 (Reference 1), Dominion Energy Kewaunee, Inc. (DEK) requested an exemption, pursuant to 10 CFR 50.12, from 10 CFR 50.82(a)(8)(i)(A) for Kewaunee Power Station (KPS). The requested exemption would allow DEK to use funds from the KPS decommissioning trust fund (Trust) for irradiated fuel management, consistent with the KPS updated Irradiated Fuel Management Plan and Post-Shutdown Decommissioning Activities Report (PSDAR). DEK also requested an exemption from 10 CFR 50.75(h)(1)(iv) for the same reason, and also to allow Trust disbursements for irradiated fuel management activities to be made without prior notice, similar to withdrawals in accordance with 10 CFR 50.82(a)(8).

As a result of three separate telephone discussions with the NRC staff on May 14, June 14, and October 3, 2013, DEK is submitting supplemental information in support of these exemption requests. The supplemental information is provided in the attachment to the letter. The supplemental information provided does not affect the conclusions of the originally submitted exemption request, Section III, "Justification for Exemptions and Special Circumstances."

DEK originally requested approval of this exemption request by September 1, 2013. Due to the time period required to develop this supplement, DEK is revising the requested approval date from September 1, 2013 to December 31, 2013.

If you have any questions or require additional information please contact Mr. Craig Sly at 804-273-2784.

Very truly yours,

Daniel G. Stoddard
Senior Vice President - Nuclear Operations

A001
NRR

Reference:

1. Letter from D. G. Stoddard (DEK) to NRC Document Control Desk, "Request for Exemption from 10 CFR 50.82(a)(8)(i)(A) and 50.75(h)(1)(iv)," dated April 4, 2013. [ADAMS Accession No. ML13098A031]

Attachment:

1. Supplement to Request for Exemptions from 10 CFR 50.82(a)(8)(i)(A) and 50.75(h)(1)(iv)

Enclosure:

1. Proposed Letter from Dominion Resources, Inc. to U.S. NRC

Commitments made by this letter: See Attachment 1.

cc: Regional Administrator, Region III
U. S. Nuclear Regulatory Commission
2443 Warrenville Road
Suite 210
Lisle, IL 60532-4352

Mr. Karl D. Feintuch
Project Manager
U.S. Nuclear Regulatory Commission
One White Flint North, Mail Stop O8-D15
11555 Rockville Pike
Rockville, MD 20852-2738

NRC Senior Resident Inspector
Kewaunee Power Station

ATTACHMENT 1

**SUPPLEMENT TO REQUEST FOR EXEMPTIONS FROM 10 CFR 50.82(a)(8)(i)(A)
AND 50.75(h)(1)(iv)**

**KEWAUNEE POWER STATION
DOMINION ENERGY KEWAUNEE, INC.**

Kewaunee Power Station
Supplement to Request for Exemptions from 10 CFR 50.82(a)(8)(i)(A)
and 50.75(h)(1)(iv)

By letter dated April 4, 2013, Dominion Energy Kewaunee, Inc. (DEK) requested an exemption (Reference 1), pursuant to 10 CFR 50.12, from 10 CFR 50.82(a)(8)(i)(A) for Kewaunee Power Station (KPS). The requested exemption would allow DEK to use funds from the KPS decommissioning trust fund (Trust Fund) for irradiated fuel management, consistent with the KPS updated Irradiated Fuel Management Plan (Reference 2) and Post-Shutdown Decommissioning Activities Report (PSDAR) (Reference 3). DEK also requested an exemption from 10 CFR 50.75(h)(1)(iv) for the same reason, and also to allow Trust disbursements for irradiated fuel management activities to be made without prior notice, similar to withdrawals made in accordance with 10 CFR 50.82(a)(8).

As a result of three separate telephone discussions with the NRC staff on May 14, June 14, and October 3, 2013, DEK is submitting supplemental information in support of this exemption request. The purpose of this supplement is to inform the NRC how DEK intends to address the requirements of 10 CFR 50.82(a)(8)(iv) which states the following:

“For decommissioning activities that delay completion of decommissioning by including a period of storage or surveillance, the licensee shall provide a means of adjusting cost estimates and associated funding levels over the storage or surveillance period.”

As discussed in the KPS PSDAR, DEK plans to maintain KPS in a safe storage condition for an extended period prior to completion of radiological decommissioning. This will allow radioactive decay to occur, thereby reducing the quantity of contamination and radioactivity that must be disposed of during the decontamination and dismantlement process as well as reducing the associated occupational exposure. DEK intends to address the requirements of 10 CFR 50.82(a)(8)(iv) with respect to the decommissioning cost estimates and funding levels for KPS as discussed below.

A. Means of Adjusting Cost Estimates

A site-specific decommissioning cost analysis for KPS (Site-Specific Study) was submitted as an enclosure to the PSDAR (Reference 3). DEK will use the Gross Domestic Product Implicit Price Deflator - GDP Index as a means of adjusting the decommissioning cost analysis for KPS. DEK's annual financial assurance status report under 10 CFR 50.82(a)(8)(v) will adjust the site-specific cost analysis for remaining decommissioning costs using an average of the GDP Implicit Price Deflator index future values.

The mnemonics for the index are as follows:

FDPIDGDP_B.US United States, NIPA: Implicit Price Deflator – GDP; (Index 2005 = 100: SA), U.S. Bureau of Economic Analysis (BEA); Moody's Analytics (ECCA) Forecast.

DEK intends to periodically update the Site-Specific Study at intervals of no more than five years. Because the periodic updates will likely recalculate the going forward costs of decommissioning and spent fuel management in then-current dollars, escalation using the GDP deflator index is not expected to be necessary for the years in which the updates are completed.

In calculating projected earnings, DEK will apply a compounded 2% Real Rate of Return on the Trust Fund.

B. Means of Adjusting Associated Funding Levels

DEK's decommissioning annual cash flow analysis submitted as part of the updated Irradiated Fuel Management Plan (Reference 2) demonstrates that the Trust Fund is sufficiently funded for planned decommissioning activities including License Termination, Spent Fuel Management and Site Restoration, with an estimated \$52 million remaining after these activities are complete. In addition, as indicated in both the exemption request (Reference 1) and updated Irradiated Fuel Management Plan (Reference 2), a Support Agreement of \$60 million is currently in place and provides additional financial assurance for decommissioning and spent fuel management. While DEK views this Support Agreement as providing a means of adjusting funding levels over the storage and surveillance period if needed, the NRC has expressed concern that such a support agreement is not a method recognized by 10 CFR 50.75(e) for providing financial assurance. During the phone calls with DEK representatives, the NRC staff indicated that one acceptable method of adjusting funding levels would be through a commitment from DEK's parent to provide a parent company guarantee should additional funding assurance be necessary. As DEK understands the NRC's request, the parent company guarantee that Dominion Resources, Inc. (DRI) would commit to place, should additional funding assurance be necessary in the future, would be for up to 10% of the remaining Trust Fund balance, or \$60 million, whichever is less.

Accordingly, in lieu of the Support Agreement, DEK is prepared to provide a letter from its ultimate parent, DRI, that when executed would make the following commitments:

1. In the event that additional financial assurance beyond the amounts contained in the remaining Trust Fund for KPS is required pursuant to NRC regulations to complete radiological decommissioning and spent fuel management at KPS, DRI will provide or (if already existing) increase a parent company guarantee to provide a total in parental assurance of up to 10% of the remaining Trust Fund balance or \$60 million, whichever is less.

2. Any parent company guarantee provided pursuant to this commitment will comply with applicable NRC requirements in 10 CFR 50.75(e)(1)(iii) and Appendix A to 10 CFR Part 30.
3. DRI will provide ongoing information pertaining to its continuing ability to provide additional financial assurance by submitting by March 31 of each year in connection with DEK's annual financial assurance status report, (1) information demonstrating the results of the financial test in either Paragraph II.A.1 or Paragraph II.A.2 of Appendix A to 10 CFR Part 30 for the immediately preceding calendar year; and (2) a letter from its independent certified public accountant attesting to the data and accuracy of the financial test.¹
4. DRI will not modify or withdraw these commitments without prior written NRC consent.
5. DRI agrees that it would be subject to the NRC's authority to issue such orders as may be necessary to enforce DRI's commitments.

The proposed form of this letter is attached. These commitments would replace the Support Agreement, which would be terminated upon NRC approval of the exemption request. DEK reserves the right to seek approval to use alternative funding mechanisms acceptable to the NRC.

References

1. Letter from Daniel G. Stoddard (DEK) to NRC Document Control Desk, "Request for Exemptions from 10 CFR 50.82(a)(8)(i)(A) and 50.75(h)(1)(iv)," dated April 4, 2013. [ADAMS Accession No. ML13098A031]
2. Letter from Daniel G. Stoddard (DEK) to NRC Document Control Desk, "Update to Irradiated Fuel Management Plan Pursuant to 10 CFR 50.54(bb)," dated February 26, 2013. [ADAMS Accession No. ML13059A028]
3. Letter from Daniel G. Stoddard (DEK) to NRC Document Control Desk, "Post-Shutdown Decommissioning Activities Report," dated February 26, 2013. [ADAMS Accession No. ML13063A248]

¹ DEK is aware that the American Institute of Certified Public Accountants (AICPA) has informed the NRC that certified public accountants are precluded from issuing any form of report or assurance on matters related to solvency. ADAMS Accession No. ML13094A316.

ENCLOSURE 1

Proposed Letter from Dominion Resources, Inc. Officer to U.S. NRC

**KEWAUNEE POWER STATION
DOMINION ENERGY KEWAUNEE, INC.**

[Month, Day], 2013

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, DC 20555-0001

Re: Kewaunee Power Station
Docket No. 50-305; License No. DPR-43

Dear Sir or Madam:

I am the [Treasurer] and an officer of Dominion Resources, Inc. (DRI), located at 120 Tredegar Street, Richmond, Virginia 23219, and the ultimate parent company of Dominion Energy Kewaunee, Inc. (DEK). DRI is submitting this letter and its attachments to the U.S. Nuclear Regulatory Commission (NRC) in support of DEK's "Request for Exemptions from 10 CFR 50.82(a)(8)(i)(A) and 50.75(h)(1)(iv)," dated April 4, 2013 (Exemption Request).

In consideration of the NRC's approval of DEK's Exemption Request and consent to terminate the Support Agreement Between Dominion Resources, Inc. and Dominion Energy Kewaunee, Inc., dated as of July 5, 2005, DRI states as follows:

1. In the event that additional financial assurance beyond the amounts contained in the remaining nuclear decommissioning trust fund (Trust Fund) for the Kewaunee Power Station (KPS) is required pursuant to NRC regulations to complete radiological decommissioning and spent fuel management at KPS, DRI will provide or (if already existing) increase a parent company guarantee to provide a total in parental assurance of up to 10% of the remaining Trust Fund balance or \$60 million, whichever is less.
2. Any parent company guarantee provided pursuant to this commitment will comply with applicable NRC requirements in 10 CFR 50.75(e)(1)(iii) and Appendix A to 10 CFR Part 30.
3. DRI will provide ongoing information pertaining to its continuing ability to provide additional financial assurance by submitting by March 31 of each year in connection with DEK's annual financial assurance status report, (1) information demonstrating the results of the financial test in either Paragraph II.A.1 or Paragraph II.A.2 of Appendix A to 10 CFR Part 30 for the immediately preceding

calendar year; and (2) a letter from its independent certified public accountant attesting to the data and accuracy of the financial test.

4. DRI will not modify or withdraw these commitments without prior written NRC consent.
5. DRI agrees that it would be subject to the NRC's authority to issue such orders as may be necessary to enforce DRI's commitments.

These commitments will become effective and enforceable on the date on which the NRC approves DEK's Exemption Request. Notice is also provided by this letter that the Support Agreement will terminate on the date of NRC's approval of the Exemption Request.

DRI is required to file a Form 10K with the U.S. Securities and Exchange Commission. A worksheet based on DRI's independently audited, year-end financial statements and footnotes for the 12-month period ended December 31, 2012, is provided as Attachment 1 demonstrating that DRI is currently qualified under NRC's criteria to issue a parent company guarantee of up to \$60 million. A supporting letter from DRI's independent certified public accountant is provided as Attachment 2.

I hereby certify that I am duly authorized to execute this letter on behalf of Dominion Resources, Inc. and the content of this letter is true and correct to the best of my knowledge.

Sincerely,

[Treasurer]
Dominion Resources, Inc.

Attachments:

1. Financial Test
2. Auditor's Letter

Attachment 1

FINANCIAL TEST

Paragraph II. A.2 of Appendix A to 10 CFR Part 30

- A. Maximum Guarantee Amount for Facility License No. DPR-43: \$60 million
- B. Dominion Resources, Inc. issued \$350,000,000 Series A 5-year senior notes, \$350,000,000 Series B 10-year senior notes and \$350,000,000 Series C 30-year senior notes on September 13, 2012. Each of these series were rated A- by Standard and Poor's and Baa2 by Moody's at the time of issuance.
- C. DRI's tangible net worth (millions of dollars):

Total Equity		\$10,625
Less:	Net Book Value of the Nuclear Facility and Site (KPS)	-
	Goodwill of the Nuclear Facility and Site (KPS)	-
(i) Total Net Worth		<u>\$10,625</u>
Less:	Goodwill	3,130
	Intangible Assets	<u>536</u>
(ii) Tangible Net Worth		<u>\$ 6,959</u>
DRI Total Assets	\$ 46,838	
Less: Foreign Assets	<u>-</u>	
Total US Assets	<u>\$ 46,838</u>	

FINANCIAL TESTS	YES	NO
1. Is line C (ii) at least \$21 Million?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Is line C (i) at least 6 times the guarantee amount of \$60 million?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. a. Are at least 90 percent of the firm's assets located in the U.S.? or, b. Is line C (i) at least 6 times the guarantee amount of \$60 million?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

4. a. Are bond ratings BBB (including +/- adjustments) or above as issued by Standard and Poor's
or,
- b. Are bond ratings Baa (including +/- adjustments) or above as issued by Moody's

I hereby certify that the content of this Financial Test: Paragraph II.A.2 of Appendix A to 10 CFR Part 30 is true and correct to the best of my knowledge.

[Treasurer]

Dominion Resources, Inc.

Attachment 2

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors and Shareholders of
Dominion Resources, Inc.
Richmond, Virginia

We have performed the procedures enumerated below regarding the data used by Dominion Resources, Inc. ("Dominion" or the "Company"), as parent company of Dominion Energy Kewaunee, Inc., licensed operator of the Kewaunee Power Station ("KPS"), solely to assist the specified parties in evaluating the Company's compliance with the financial test as of December 31, 2012, included as Attachment 1 to the letter dated [_____] 2013] from [_____] , Treasurer] of Dominion Resources, Inc. to the U.S. Nuclear Regulatory Commission.

Dominion's management is responsible for the financial test and compliance with associated requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and related findings are as follows:

- We compared the bond rating in Attachment 1 to the Company's letter to third-party sources, noting no differences.
- We compared amounts identified as "Total Equity", "Goodwill", "Intangible Assets", and "DRI Total Assets" in Attachment 1 to the Company's letter to the Company's consolidated financial statements as of December 31, 2012, on which we have issued our report dated February 27, 2013, noting no differences.
- We compared amounts identified as "Net Book Value of the Nuclear Facility and Site (KPS)", "Goodwill of the Nuclear Facility and Site (KPS), and "Foreign Assets" in Attachment 1 of the Company's letter to corresponding amounts in a schedule or report prepared by the Company as of December 31, 2012, noting no differences.
- We recomputed the mathematical accuracy of the amounts identified as "Total Net Worth", "Tangible Net Worth", and "Total US Assets" in Attachment 1 to the Company's letter, noting no differences.

With respect to procedures outlined in Paragraph II.B of Appendix A of 10 CFR Part 30 of the U.S. Nuclear Regulatory Commission's regulations, professional standards preclude us from providing any form of report or assurance on matters relating to solvency. Accordingly, no such form of report or assurance is provided.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying letter dated [_____] , 2013]. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the board of directors and management of the Company and Dominion Energy Kewaunee, Inc., and the U.S. Nuclear Regulatory Commission, and is not intended to be and should not be used by anyone other than these specified parties.

[_____, 2013]