

Restructuring & Nuclear Energy: Getting the Rules Right

RICHARD J. MYERS

Director, Economic & Business Policy

Nuclear Energy Institute

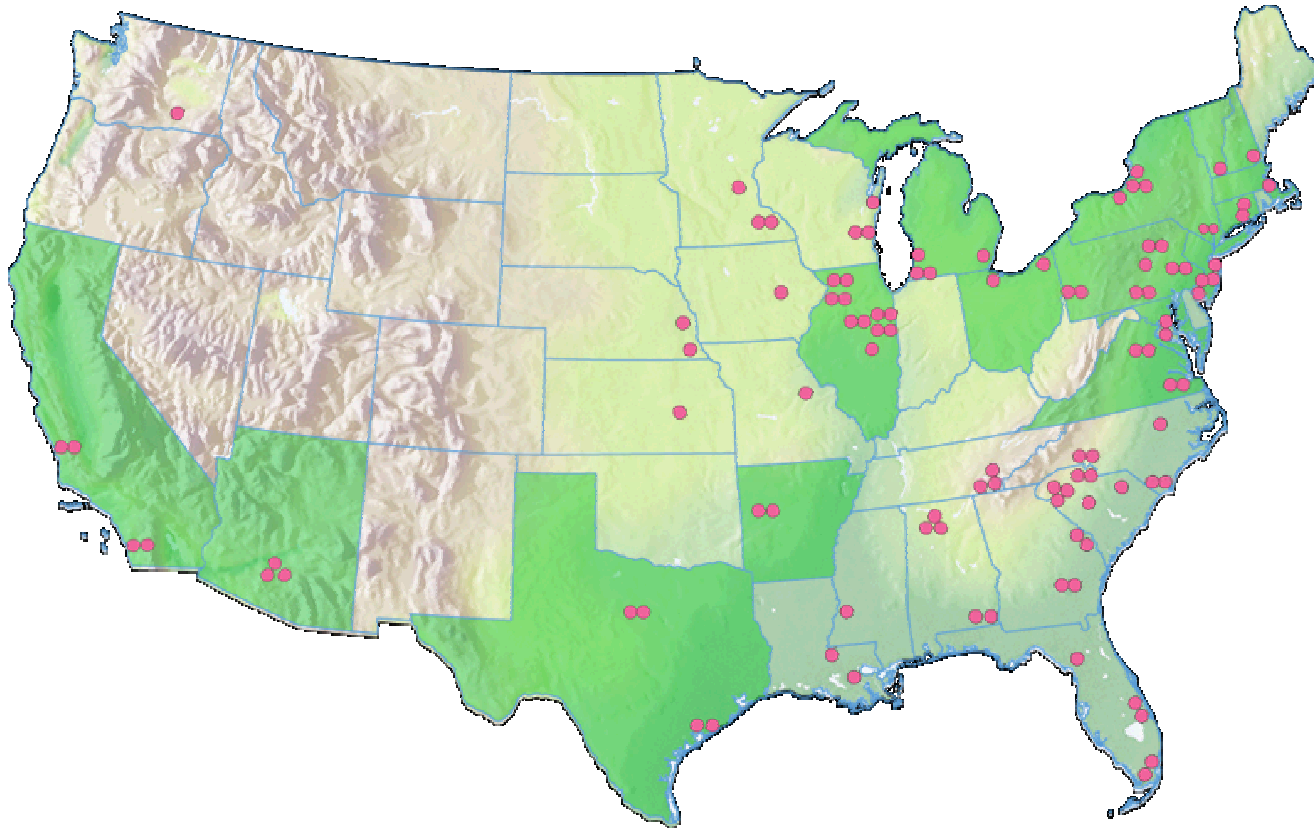
to

NRC Regulatory Information Conference

March 29, 2000

State Restructuring Status

- 24 states have restructured their electric power industry
- 16 of those states have operating nuclear plants (60 units)



State Restructuring

Common themes ...

- Opportunity to recover stranded costs
- Continued collection of decommissioning
- Divestiture of generation = nuclear consolidation

Federal Restructuring: The Goal

**Remove impediments and uncertainties
in existing laws and regulations to ...**

- Preserve value of nuclear generating assets
- Ensure that companies have maximum possible flexibility to reposition nuclear generating assets

Consolidation: Greater Efficiency, Lower Cost

- Occurring in all industry sectors:
 - Nuclear plant ownership, operating responsibility
 - Infrastructure (equipment, services, fuel supply)
- Natural business response to competitive pressures and state restructuring
- Result: safer, stronger, leaner industry going forward

Consolidation: Necessary Steps

103 Units ... ~ 40 Operators ... ~ 100 Owners



- ▶ **Remove decommissioning tax issues as impediment to transactions**
- ▶ **License transfers: efficient process , timely decisions**
- ▶ **Remove potential impediments in Atomic Energy Act (antitrust reviews, investment restrictions, etc.)**



**Consolidation of Ownership Positions:
Nuclear Generating Companies
Nuclear Operating Companies**

Decommissioning Tax Policy

- Eliminate cost-of-service requirement *
 - allow continued deductibility
 - tax-free transfer of Qualified Funds
- Limited exceptions to level funding requirement
 - accelerated recovery under state law
 - as a condition of sale/transfer
- Use Qualified Fund to accumulate all monies needed regardless of plant age
 - transfer Non-Qualified Funds into Qualified Funds

Atomic Energy Act

- Clarify NRC authority re: licensing proceedings
- Remove restrictions on foreign ownership
- Remove requirements for antitrust reviews
- Clarify NRC authority over former licensees re: decommissioning

Legislative Proposals

Decommissioning Tax Policy

- H.R. 2038: Reps. Jerry Weller (R-IL), Ben Cardin (D-MD) + 16 co-sponsors
- S. 1308: Sens. Frank Murkowski (R-AK), John Breaux (D-LA)
- Administrative remedies

Atomic Energy Act

- S. 2016: Sen. Pete Domenici (R-NM)
- AEA changes supported by NRC