

THE STATE OF NEW HAMPSHIRE
NUCLEAR DECOMMISSIONING FINANCING COMMITTEE
DOCKET NO. NDFC 2003-1

FINAL REPORT AND ORDER

Concord, New Hampshire
December 17, 2003

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5 FINAL REPORT AND ORDER
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8 I. SUMMARY OF FINDINGS
9

10 The Nuclear Decommissioning Funding Committee (NDFC or Committee)
11 conducted the four-year review required by RSA 162-F: 22. The Committee determined
12 to use the following assumptions and made the following findings to ensure that prompt,
13 safe, and orderly decommissioning of Seabrook Station can occur.

- 14 1. The funding date will be 2026.
- 15 2. The projected cost of decommissioning will be \$599.7 million, when
16 expressed in 2003 dollars.
- 17 3. The inflation adjustment applied to the schedule of payments will be 3.0%.
- 18 4. The escalation adjustment applied to the schedule of payments will be 4.5%.
- 19 5. The proposed earnings assumptions are accepted.
- 20 6. The proposed revisions to the Commercial and Industrial decommissioning
21 standard are accepted.
- 22 7. The funding assurances from FPLE Seabrook, LLC will remain unchanged.
- 23 8. The Seabrook owners will be required to establish an escrow account and fund
24 it as set forth in this Report and Order.

25 These assumptions and the Committee's findings are discussed in detail in this
26 Report and Order.

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1 II. PARTIES AND THEIR POSITIONS

2 The entities granted full party status were the Massachusetts Municipal Wholesale
3 Electric Company (MMWEC), the Seacoast Anti-Pollution League (SAPL), and FPL
4 Energy Seabrook, LLC as managing agent of Seabrook Station (FPLE or Managing
5 Agent). The parties produced a Stipulation addressing all issues (Exhibit No. 2), with
6 FPLE and SAPL supporting all provisions of the Stipulation. MMWEC supported all
7 provisions of the Stipulation except the recommendation that FPLE's current funding
8 assurances are sufficient. See: Exhibit 2, Section 7.3.

9 Taunton Municipal Lighting Plant (Taunton) and Hudson Light and Power
10 Department (Hudson), both owners of minority interests in Seabrook Station, were
11 notified of the Docket, but chose not to participate. In the absence of direct participation,
12 the NDFC assumes that Taunton and Hudson were represented by the Managing Agent
13 for Seabrook Station.

14 No party filed objections or challenges to the Preliminary Report and Order.

15 III. PROCEDURAL HISTORY

16 The Order of Notice for this docket was issued on April 29, 2003. Timely notice
17 of the Docket was provided to the public by publication in newspapers on May 2, 2003
18 and again on May 8, 2003. The first pre-hearing conference was held on July 22, 2003,
19 during which the parties agreed to a proposed procedural schedule and docket scope. On
20 August 15, 2003, the Application of FPL Energy Seabrook, LLC for Approval of
21 Decommissioning Cost Estimates and Funding Schedules was filed. On August 28,
22 2003, the NDFC issued Order No. 1 adopting the proposed procedural schedule and
23 scope. The parties participated in numerous pre-hearing conferences prior to the public

1 hearings, filed the text of a Stipulation of the Full Parties on September 24, 2003, and the
2 completed Stipulation (Exhibit No. 2) on September 26, 2003. Final exhibits from FPLE
3 in response to requests of the Committee at the hearings were filed on October 7, 2003.

4 A public hearing was held on September 29 and 30, 2003, at the hearing chambers
5 of the Public Utilities Commission in Concord. Five witnesses appeared during the
6 public hearing. James Peschel, FPLE Regulatory Programs Manager, testified on the
7 operation of Seabrook Station. Thomas Frantz, New Hampshire Public Utilities
8 Commission, Director, Electric Division, discussed regulatory theory; John Bourdreau,
9 Senior Project Manager, Strategic Planning, MMWEC, responded to questions
10 concerning the organization and operation of MMWEC both generally and from a
11 regulatory perspective; Thomas LaGuardia, President of TLG Services, Inc., testified
12 about the decommissioning study produced by his firm and submitted as part of the
13 Application ; and Moray Dewhurst, Chief Financial Officer of FPL Group, Inc., testified
14 about the financial health of the FPL Group companies and the Stipulation terms.

15 On November 5, 2003, the NDFC released the Preliminary Report and Order
16 (PRO), as of that date, and the record of this Docket was made available for public
17 review at the public Utilities Commission in Concord and at the office of the office of the
18 Seabrook Town Clerk as of that date. As required by the PRO, on November 11, 2003,
19 the Managing Agent filed a series of schedules projecting the impact of using different
20 assumptions. On December 10, 2003, the Committee held a public hearing at the
21 Seabrook Town Hall to receive public reaction to the Preliminary Report and Order and
22 to review the additional analyses provided by Prime Buchholz (a consultant retained by
23 the Managing Agent) as requested by the Committee in the Preliminary Report and

1 Order. The parties and members of the public attended the final hearing, and offered only
2 comments in support of the PRO being adopted as a final order.

3

4 IV. DISCUSSION

5 In this Docket, the Committee performed the comprehensive review of the
6 decommissioning cost projections for Seabrook Station mandated by RSA 162-F:22, I.
7 This comprehensive review is conducted by the NDFC every four years. During the
8 annual review, the NDFC normally reviews the investment performance of the
9 Decommissioning Trust and adjusts the schedule of payments. See: RSA 162-F:22, II.
10 In addition to revising the projected cost of decommissioning, the NDFC undertook a
11 comprehensive review of all assumptions and findings used in determining the ultimate
12 level of the decommissioning fund, the schedule of payments into the fund, and the
13 security of the unfunded obligations. The NDFC also considered the proposal for
14 funding presented by the parties as part of the Stipulation. Each of the areas reviewed is
15 discussed in the following sections.

16 A. The Projected Cost of Decommissioning

17 The projected cost of decommissioning is defined as the current best estimate of
18 the cost to decommission Seabrook Station in 2003, assuming Seabrook Station is in the
19 same condition today as the condition in which it is expected at the end of its license life
20 in 2026. The Seabrook owners commissioned a study by TLG Services, Inc., (TLG) (the
21 2003 TLG Study) the firm that prepared the last comprehensive decommissioning study
22 of Seabrook Station in 1998¹. TLG specializes in decommissioning studies and presently

¹ The 1998 TLG Study was expressed in 1997 dollars.

1 produces decommissioning studies for approximately 90% of the nuclear stations in the
2 United States. TR. I at 116.

3 The 2003 study by TLG was provided as part of FPLE's Application in a
4 document entitled "Decommissioning Cost Analysis for the Seabrook Station 2003 TLG
5 Study." As in past studies, the owners of Seabrook station, through their Managing
6 Agent, directed TLG to make a number of assumptions on which to base the estimate.

7 Chief among these were:

- 8 ▪ that decommissioning would commence at the expiration of the plant's current
9 operating license in October 2026;
- 10 ▪ that decommissioning would be by the Prompt Dismantling Method, referred to as
11 DECON in the regulation of the U.S. Nuclear Regulatory Commission (NRC);
- 12 ▪ that decommissioning would be to the Commercial and Industrial standard as
13 described in RSA 162-F:14, II;
- 14 ▪ that the federal repository for spent fuel from commercial nuclear power plants
15 would become operational in 2015;
- 16 ▪ that the first shipment of spent fuel from Seabrook Station to the federal
17 repository would be in 2025; and
- 18 ▪ that the final shipment of spent fuel from Seabrook Station to the federal
19 repository would be in 2045.
- 20 ▪ that the first shipment of spent fuel from Seabrook Station to the federal
21 repository would be in 2025; and
- 22 ▪ that the final shipment of spent fuel from Seabrook Station to the federal
23 repository would be in 2045.
- 24 ▪ that the final shipment of spent fuel from Seabrook Station to the federal
25 repository would be in 2045.

26 With these governing assumptions, the results of the 2003 TLG Study estimated that it
27 would cost \$599.7 million, in 2003 dollars, to decommission Seabrook Station. The
28 following paragraphs discuss the differences between the 1998 and the 2003 TLG
29 Studies.

30 The 1998 TLG Study that formed part of the last comprehensive update estimated
31 that it would cost \$439.7 million in 1997 dollars to promptly dismantle Seabrook in 2026.
32 If the 1998 TLG Study estimate were viewed in 2003 dollars, using the currently

1 approved escalation rate of 5.25%, the projected cost of decommissioning would be
2 approximately \$602 million. It is important to note, however, that TLG conducted the
3 1998 TLG Study under a different set of assumptions, some which tended to decrease and
4 some of which tended to increase the costs. The major differences between the
5 assumptions that the Managing Agent provided TLG in 1998 and 2003 were as follows:

- 6 ▪ The 1998 TLG Study was based on full site restoration (the so-called
7 “greenfields” standard), while the 2003 TLG Study was based on the more limited
8 Commercial Industrial decommissioning standard.
9
- 10 ▪ The 1998 TLG Study assumed that the federal repository would be ready in 2007
11 and that Seabrook Station would start shipping fuel there in 2016, completing
12 removal of fuel in 2036. The 2003 TLG Study assumes dates for these milestones
13 of 2015, 2025 and 2045 respectively. This difference in the two TLG studies will
14 tend to increase the cost of decommissioning as a result of the longer period that
15 spent fuel has to be managed and secured at the Seabrook Station site.
16

17 In addition to the differing assumptions provided to TLG by the Managing Agent, there
18 are a number of changes that TLG incorporated into the 2003 TLG Study estimate as a
19 result of knowledge gained from the nuclear industry’s accumulating experience in
20 decommissioning. For example, the 2003 TLG Study noted the need for a more gradual
21 reduction in personnel after operating life ends.

22 The major change contained in the 2003 TLG Study as a result of industry
23 experience, however, is in the treatment of the cost of radioactive waste disposal. There
24 are three types of radioactive waste. Federal law requires permanent isolation of all
25 High Level Radioactive Waste (HLRW). A commercial nuclear power plant such as
26 Seabrook Station generates spent fuel that is classified as HLRW. Greater Than Class C
27 (GTCC) radioactive waste is waste that is not HLRW but is also not suitable for shallow
28 burial (10 CFR 61.55). There is a relatively small amount of GTCC waste at a

1 commercial reactor and it is assumed to be ultimately shipped with the spent fuel to the
2 federal repository for permanent isolation. These two types of waste are discussed in
3 greater detail elsewhere in this report. Low Level Radioactive Waste (LLRW) is waste
4 that is radioactive, but not classified as HLRW and that is suitable for shallow burial (10
5 CFR 61.2). The changes in the 2003 TLG Study relating to the treatment of HLRW
6 results from the revised assumptions that FPLE proposed concerning spent fuel
7 management and the FPLE revised estimates concerning the availability of the federal
8 repository. Changes in the treatment of LLRW from the 1998 TLG Study to the 2003
9 TLG Study are based on increased industry efforts to reduce the volume of LLRW that
10 must go to a burial site.

11 The 2003 TLG Study used three different types of cost contingencies. The first is
12 a typical construction estimate contingency that is incorporated into the TLG Study and
13 applied to each line-item activity as appropriate. It is designed to account for
14 unforeseeable events that may occur in the decommissioning process, such as weather-
15 related delays, work stoppages, breakdowns, etc. It is based on industry experience in
16 complex construction activities and follows the guidance of published industry standards.
17 Exhibit No. 1, B, Section 3, Page 3.

18 As in prior updates the Managing Agent applied two additional contingencies to
19 the estimate developed by the 2003 TLG Study: the Delay Contingency and the LLRW
20 Contingency. The Delay Contingency was designed to account for the possibility of a
21 delay in the completion and availability of the permanent repository for spent fuel that the
22 Department of Energy (DOE) has proposed for the Yucca Mountain site in Nevada. It
23 was determined by calculating what the total increase in decommissioning costs would be

1 if the repository were delayed for five years beyond the date assumed in the 2003 TLG
2 Study. That delay has now been incorporated into the 2003 TLG Study itself by
3 assuming, for cost estimating purposes, that Yucca Mountain is not available until 2015,
4 or five years beyond the current data recognized by DOE.

5 The LLRW contingency was designed to reflect the uncertainty in the availability
6 and cost of LLRW Disposal. Until 1998, the operator of the Barnwell facility in South
7 Carolina set the burial rates. The State of South Carolina subsequently imposed a hefty
8 surcharge which increased rapidly for a time. The LLRW contingency was determined
9 by determining how much decommissioning LLRW would have to go to Barnwell. The
10 surcharge that would be applied by the State of South Carolina to this volume was then
11 added to the TLG Study's estimate as a LLRW contingency. The State of South Carolina
12 has now taken over all responsibility for rates at Barnwell and there is no longer a
13 separate surcharge. FPLE has, therefore, eliminated this contingency and incorporated
14 the total charge into the estimate. Exhibit 1: Application p. 37 and Attachment B, Table
15 2.

16 1. Low Level Radioactive Waste (LLRW)

17 LLRW disposal is not only an important factor in TLG's estimate, it is also a
18 significant variable affecting FPLE's calculation of escalation, which is the projected
19 rate at which the decommissioning cost estimate will increase from the present to 2026
20 when decommissioning is assumed to start. The rising cost of LLRW disposal coupled
21 with uncertainty surrounding the availability of LLRW disposal facilities makes the
22 forecast of waste disposal costs a major concern to the Committee.

1 There are currently only three facilities licensed to accept LLRW from
2 commercial nuclear power plants: a state-owned facility at Richland, Washington; a
3 state-owned facility at Barnwell, South Carolina; and Envirocare, a private facility in
4 Utah. The facility at Richland, Washington is only available to states that belong to the
5 Northwest Compact, which does not include New Hampshire. Seabrook has been
6 sending its operational LLRW to both Barnwell and Envirocare for a number of years. It
7 primarily sends lightly contaminated dry waste to Envirocare. Since Envirocare is not
8 licensed to accept the more highly contaminated waste (designated as Class B and Class
9 C waste), these waste forms must be sent to Barnwell for burial. The State of South
10 Carolina, however, passed legislation in 2000 that is gradually limiting access to
11 Barnwell and will exclude all but Atlantic Compact members (South Carolina,
12 Connecticut and New Jersey) by 2008.

13 The 2003 TLG Study uses the current burial rates at Barnwell as proxies for the
14 disposal rates that will be charged if Seabrook Station decommissioning begins in 2026
15 based on TLG's assumption that a future disposal facility would charge rates similar to
16 those charged by Barnwell. Mr. LaGuardia testified that even though Barnwell may be
17 closing to non-Compact states, the federal government will have to take action to ensure
18 that there is adequate disposal and that this is, in his opinion, a reasonable assumption.
19 TR. I at 169.

20 According to the 2003 TLG Study (Exhibit No. 1, B) and testimony by Mr.
21 LaGuardia (TR. I at 157), the high cost of LLRW disposal will incent Seabrook Station to
22 find ways to minimize this waste and to reduce the amount produced through offsite
23 processing. Offsite processing consists of volume reduction performed by private

1 vendors using decontamination, compaction, dewatering, sorting and stabilizing
2 technologies. The type of LLRW sent to Barnwell is particularly suited for this
3 treatment. Seabrook Station is already using offsite processing to reduce its operational
4 LLRW and it is therefore reasonable, according to Mr. LaGuardia, that this approach will
5 be used extensively for decommissioning-generated LLRW. TR. I at 133-134

6 As a result of off-site processing, the 2003 TLG Study (Exhibit No. 1, Section 6,
7 Page 9 of 11) shows a 16% reduction in the amount of LLRW that must be buried at
8 Barnwell. Thus, the increases in LLRW disposal rates are mitigated by reductions in the
9 amount of waste that must be sent for burial. When off-site processing and burial costs
10 are combined, the 2003 TLG Study shows about a 22% increase in costs over the 1998
11 TLG Study. Exhibit No. 1, 2003 TLG Study, Table 6.2. This amounts to about a 3.3%
12 annual escalation in the assumed cost of burying decommissioning-generated LLRW
13 since the 1998 TLG Study.

14 The cost of disposing LLRW is also an important part of the calculation of the
15 assumed escalation. Exhibit No. 1, Section D.1 Along with labor, materials, and
16 transportation/energy, LLRW disposal is one of the factors that goes into determining the
17 rate at which the decommissioning cost estimate will increase between 2003 and 2026.
18 Based on the evidence, the Committee believes it is reasonable to use the present
19 Barnwell rates for disposal of decommissioning-generated LLRW when projecting the
20 cost of decommissioning. Similarly, the Committee finds it is reasonable that the
21 proposed decommissioning estimate reflect current industry trends for use of off-site
22 processing to reduce LLRW volumes and weights inasmuch as Seabrook Station is
23 staying abreast of advances in LLRW disposal options and is using them to reduce costs.

1 At the same time, uncertainty exists concerning the ability to forecast key cost
2 components. Due to this uncertainty, the Committee will continue to apply a contingency
3 adjustment. In particular, the uncertainty surrounding the use of Barnwell as a proxy for
4 future LLRW disposal costs requires that the reliability of the forecasted disposal costs be
5 discounted. The main concern is the future cost of waste disposal and the impact that this
6 will cost have on the rate at which decommissioning costs will escalate and the ability of
7 the fund to meet those increases. The Committee's approach in addressing these
8 concerns is discussed further in Section IV.D.2 (Escalation Adjustment).

9 2. Spent Fuel

10 In the 1998 TLG Study, Seabrook Station assumed that the spent fuel would be
11 removed from the spent fuel storage pool twenty-six months after decommissioning.
12 Spent fuel casks have a limit to the amount of thermal heat that they can tolerate. In
13 order to fill a cask with the design maximum number of fuel assemblies, the spent fuel
14 must be cooled for approximately five years. By assuming that spent fuel would be
15 removed before the five-year cooling period elapsed, some spent fuel casks could only be
16 partially filled to stay within the cask thermal limits. This increased costs because of the
17 need for more casks. The advantage, according to the thinking at the time, was that this
18 approach would allow the spent fuel pool storage building to be dismantled earlier and
19 would lessen the cost of dismantling the adjacent power block structures. In the
20 Application, FPLE assumes that the fuel is not removed from the storage pool for about
21 5.5 years after final shutdown. The casks can, therefore, be filled to their capacity, which
22 reduces the number of casks that will be needed. The concrete and steel dry casks will be

1 stored onsite at an Independent Spent Fuel Storage Installation (ISFSI) until they can be
2 shipped to a permanent repository.

3 The other major change in the 2003 Update with respect to spent fuel is that it is
4 now assumed that the permanent federal repository at Yucca Mountain for spent nuclear
5 fuel is not available until 2015, rather than 2007. Spent fuel will be given a “queue”
6 assignment based on when the fuel is removed from the reactor core. Because Seabrook
7 began operation later than most nuclear stations, DOE is not assumed to begin accepting
8 spent nuclear fuel from Seabrook until 2025, with the last shipment to the federal
9 repository in 2045.

10 One effect of the delay in commencement and completion of the spent fuel
11 shipments to the Yucca Mountain site is an increase in the decommissioning costs related
12 to spent nuclear fuel. The increase is attributable to the additional years after permanent
13 shutdown that the ISFSI must be maintained. Any costs for dry casks purchased for spent
14 fuel removed from the spent fuel pool before shutdown, and any ISFSI licensing,
15 engineering and construction costs associated with spent fuel removed before permanent
16 shutdown, are operating costs, not costs of decommissioning, and hence are not payable
17 from the Decommission Trust.

18 The Committee recognizes that FPLE is making reasonable planning assumptions
19 regarding the availability of the federal repository and the schedule for removal of the
20 spent fuel. Along with LLRW disposal, however, the Committee concludes that there is
21 still much uncertainty in the future cost of spent fuel disposal. The revised schedule for
22 Yucca Mountain reflects the current expectations of the federal government, but there
23 remain unresolved issues that could result in further delays. Also, increased scrutiny of

1 security concerns may require additional expenditures for the storage and shipment of
2 spent fuel. Uncertainty about the disposal of HLRW is another reason the Committee
3 will continue to use a contingency adjustment to prevent under-funding of the
4 Decommissioning Trust.

5 B. Funding Date

6 The funding date is the day on which contributions into the Decommissioning
7 Trust may end because the NDFC believes “the fund shall have sufficient monies to
8 complete decommissioning” on the schedule approved by the NDFC. RSA 162-F:14, V.
9 The schedule of payments is calculated using the funding date in order to establish the
10 full term of payments. The schedule of payments must complete collection of funds from
11 the owners necessary to complete decommissioning by a date that is no later than the date
12 the operating license terminates. RSA 162-F:19, IV. The schedule of payments
13 established in NDFC Docket 2002-3 used two funding dates: 2015 was selected as the
14 funding date for payments through 2006, and 2026 was selected as the funding date for
15 payments for 2007-2026. This structure was established in NDFC Docket No. 2001-1, as
16 a result of poor market performance, to provide a gradual increase in the annual payments
17 into the Decommissioning Trust in order to meet benchmark expectations in 2006.

18 The Committee finds that, presently, there is no longer a need for employment of
19 the two-funding-dates methodology. In 2002, the Decommissioning Trust received
20 approximately \$72 million in contributions as part of the sale of 88.2% of Seabrook
21 Station to FPLE pursuant to the requirements of RSA 162-F:21-a, I, the so-called “top-off
22 payments.” The top-off payments exceeded the forecast by approximately \$14 million.
23 Further, the NDFC continues to expect Seabrook Station to operate until 2026.

1 Currently, Seabrook is operating better than many other nuclear stations having achieved
2 a capacity factor during the most recent fueling cycle of 100.2% (TR. I at 28) while the
3 industry average in the U.S. for that period was 91%. Exhibit No. 12. See also: Exhibit.
4 No. 1: Application pp. 28-29 and Tabs 5 and 6. There are no identified operational
5 problems that suggest Seabrook Station will cease operation before 2026. Furthermore,
6 while the schedule of payments will reflect actual fund earnings performance for the year,
7 the decommissioning fund is expected to exceed performance expectations in due to
8 market conditions, and will be updated by the December 22, 2003, compliance filing of
9 FPLE. Also, by this Order the NDFC is implementing an escrow, external to the
10 Decommissioning Trust, as additional assurance that the decommissioning requirements
11 of the Seabrook Station will be met. Accordingly, the NDFC accepts the recommendation
12 of the parties and sets the funding date for the Decommissioning Trust as October 2026.

13 C. Commercial and Industrial Standard

14 In 2001, the New Hampshire General Court amended the decommissioning
15 statute to recognize that some buildings and assets at Seabrook Station will have
16 commercial or industrial value after the Seabrook Station is taken out of service and,
17 accordingly, any such buildings no longer must be removed during decommissioning.
18 See: RSA 162-F:14, II, and NDFC Docket 2001-1 Final Report and Order. The
19 Decommissioning Trust will only fund decommissioning activities. Site improvements
20 that will not be contaminated or do not need to be removed during decommissioning are
21 the responsibility of the Seabrook owners and their removal will not be paid for from the
22 Decommissioning Trust.

1 In 2001, the NDFC made a preliminary determination of the Commercial and
2 Industrial decommissioning requirement and committed to refine the estimate as part of
3 the four-year review in 2003. As part of the decommissioning cost study, a systematic
4 review of site improvements was undertaken and a more precise determination was made
5 of the site improvements that will have commercial or industrial value after Seabrook
6 Station ceases operation. Exhibit No. 4. For example, the Cooling Tower and Control
7 Building were slated for decommissioning as part of the preliminary Commercial and
8 Industrial determination, but are now recognized as having commercial use beyond the
9 life of Seabrook Station.

10 The NDFC is satisfied that the scope of the Commercial and Industrial
11 decommissioning requirement is appropriately refined as detailed in Exhibit No. 4.
12 Accordingly, the Committee accepts the proposed change to the preliminary Commercial
13 and Industrial requirements. The envelope of the site subject to decommissioning is
14 depicted in Exhibit No. 3 and is hereby adopted by the NDFC. For ease of reference, the
15 one-page Exhibit No. 3 will accompany this Report and Order as Attachment No. 1.

16 D. Proposed Earnings Assumptions

17
18 As required by the Seabrook Nuclear Decommissioning Financing Master Trust
19 Agreement, the Investment Consultant, Prime, Buchholz & Associates, Inc., (Prime
20 Buchholz) has performed a review of the funding schedule and investment assumptions.
21 Exhibit 1, Tab C. Prime Buchholz also developed a set of Investment Guidelines that the
22 Seabrook owners, Fund investment managers and the Fund Trustee must use. The
23 Investment Guidelines are approved by the State Treasurer. The current Investment
24 Guidelines give the Seabrook owners the option of investing in any of six investment

1 funds. Two funds are ‘qualified’ and four are ‘non-qualified.’ By federal law, the
2 qualified funds are available only to ‘cost of service’ utilities and receive a favorable tax
3 treatment. Therefore, these “qualified” funds are not available to FPLE. The three
4 municipal utility owners do not invest in the qualified funds because, as municipals, they
5 are tax-exempt. The non-qualified funds offer the owners the opportunity to invest in
6 either equity securities or fixed income securities of varying types. The Investment
7 Guidelines dictate the relative proportion among investment that each owner may use.

8 The overall value of the Decommissioning Trust (the sum of the values invested
9 in each of the six funds) grew by about \$83.5 million in 2002. Scheduled owner
10 contributions totaled \$17.5 million and there was a “top-off” payment of \$71.3 million
11 made to the fund by the selling owners at the time their ownership interest in the
12 Seabrook Station was transferred to FPLE. The weak equity markets, contributed to a net
13 investment loss of \$5.3 million during the year. With the improved market conditions in
14 2003, at the time of the hearing FPLE projected that the fund balance at the end of 2003
15 will be about \$286.6 million, or about \$5 million more than was projected in 2002.
16 Exhibit 1, Tab C. The December 22, 2003, compliance filing will present a clearer
17 picture of the year-end fund balance.

18 The Investment Consultant’s July 2003 report proposed several changes to the
19 assumed earnings rates on the investment funds. It recommended that the return
20 assumptions for each fund be reduced to reflect anticipated lower interest rates and lower
21 expected rates of inflation. Its report are also proposed a change in the methodology of
22 computing these nominal returns. In the past, Prime Buchholz has compounded inflation
23 and the real return. The Investment Consultant now proposes to simply to add inflation

1 and the real return to get the nominal return. This effectively slightly reduces the
2 earnings assumptions.

3 The following table shows the Decommissioning Trust structure and the current
4 and proposed earnings assumptions. This table presents the earnings expected to be
5 realized.

6

| Fund | Investments | Tax Status | Current (%) | Proposed (%) |
|-------------|--------------------|-------------------|--------------------|---------------------|
| 1A | Taxable Bonds | Qualified | 7.6 | 6.0 |
| 1B | Core Stocks | Qualified | 10.8 | 9.5 |
| 2 | Taxable Bonds | Non-Qualified | 7.6 | 6.0 |
| 3 | Tax-Exempt Bonds | Non-Qualified | 6.1 | 4.8 |
| 4 | Cash/Short-Term | Non-Qualified | 4.8 | 3.5 |
| 5 | Core Stocks | Non-Qualified | 10.8 | 9.5 |

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10 The proposed changes are consistent with recent experience and with other
11 economic forecasts generally available to the public. Accordingly, the Committee is in
12 agreement with these changes and will approve them for use in calculating the schedule
13 of payments.

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1 E. Schedule of Payments

2 In establishing the schedule of payments, the *approved estimate* is first increased
3 each year by applying the approved decommissioning *escalation rate* to the prior year's
4 estimate. This adjustment is intended to approximate expected changes in the cost
5 estimates. The schedule of payments is adjusted annually so that by the commencement
6 of decommissioning the fund balance will be sufficient to complete the decommissioning
7 to a Commercial and Industrial standard, with only the addition of the earnings on funds
8 during the decommissioning period.

9 Currently, the Seabrook owners' contribution schedule is increased each year by a
10 fixed *inflation* adjustment. The inflation rate is designed to reflect the overall rate of
11 increase in the cost of living for this region of the country between now and the
12 anticipated commencement of decommissioning expenditures. The inflation adjustment
13 was adopted in an attempt to have those who, over time, use electricity generated at
14 Seabrook pay the cost of the plant, including a proportional share of decommissioning
15 costs. This is a ratemaking mechanism often employed in regulated circumstances to
16 achieve inter-generational equity, because the goal was to avoid having either present or
17 future customers pay a disproportionate share of decommissioning costs. The schedule
18 of payments is presented in current year dollars as part of the effort to assess the timing
19 of payments.

20 Prior to the start of decommissioning, the projected Decommissioning Trust *fund*
21 *balance* in the schedule of payments at the end of each year is equal to the previous
22 year's fund balance, plus contributions and earnings, minus fees and administration
23 expenses. Once decommissioning begins, the contributions are expected to end and the

1 annual expenditures on decommissioning activities also will be subtracted from the fund
2 balance.

3 Projected *earnings rates* are developed annually by the Investment Consultant.
4 The earning rates are based on the investment alternatives available to the owners, which
5 are managed in compliance with the fund’s Investment Guideline.

6 The inflation rate and the projected earnings rates on the fund are proposed each
7 year by the Investment Consultant. The Managing Agent and the State Treasurer must
8 then approve them for presentation to the Committee for a final decision. The Investment
9 Guidelines may be used only if approved by the State Treasurer.

10 In the schedule of payments approved in 2002, the contributions for 2003 through
11 2006 were based on an assumption that full funding for a 2026 decommissioning start
12 must be available by 2015. This effectively increased those contributions. After 2006,
13 the contribution requirements were based on a 2026 funding date. The purpose of the
14 *accelerated funding* period through 2006 was to correct for the decommissioning fund’s
15 failure to meet projected balances due to lower than expected investment market
16 performance in prior years. See: NDFC Docket 2001-1 Final Report and Order at 16.

17 The currently approved schedule of payments assumptions and the payment
18 assumptions proposed by FPLE in its 2003 Application are as follows:

1

| | Currently Approved | Proposed in Application |
|----------------------------------|--------------------|-------------------------|
| Estimate | \$615 million | \$599.7 million |
| Escalation | 5.25% | 4.1% |
| Inflation | 4% | 3% |
| Earnings | | |
| Taxable Bonds 1A | 7.6 | 6.0 |
| Core Stocks 1B | 10.8 | 9.5 |
| Taxable Bonds 2 | 7.6 | 6.0 |
| Tax-exempt Bonds 3 | 6.1 | 4.8 |
| Cash/Short Term 4 | 4.8 | 3.5 |
| Core Stocks | 10.8 | 9.5 |
| Post Shutdown | | |
| Cash Short Term | 4.8 | 3.5 |
| Accelerated Funding 2004-2006 | Yes | No |

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If all of the assumptions proposed by FPLE were accepted by the Committee, the projected Decommissioning Trust fund balance needed in 2026 would be reduced from the current estimate of approximately \$2.0 billion, to approximately \$1.6 billion. The Stipulation recognized that the projected reduction is significant, and recommended to the NDFC that it use an escrow to make monies available in the event the projections, over a period of up to four years, understate future needs.

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While time may prove that the assumptions proposed by FPLE are accurate, the Committee's determination of funding requirements supports a different projected 2026 fund balance and funding schedule. In particular, the NDFC believes significant uncertainties exist which require the use of a greater escalation adjustment than the one proposed by the parties in the Stipulation. As detailed in this Report and Order, the NDFC will gradually implement changes considering both historic data and projections of future changes. The NDFC will give greater weight to historic data than was proposed by the parties.

1 1. Escalation Adjustment

2 The schedule of payments reflects an escalation adjustment, which is intended to
3 adjust the current cost estimate to account for cost increases over time. The escalation
4 adjustment does not affect the estimated cost of decommissioning presented in the 2003
5 TLG Study, but will determine the size of the required decommissioning fund on the
6 funding date in 2026. The escalation adjustment also has a significant impact on the
7 annual contributions required of the Seabrook owners. The rate of escalation is derived
8 by examining cost trends in specific cost centers associated with decommissioning
9 activities. Because these activities are expected to be undertaken starting twenty-three
10 years from now, the escalation rate is not precise, but represents an educated estimate of
11 future costs trends.

12 The Seabrook owners propose continued use of the same basic methodology for
13 calculating escalation as was previously approved by the NDFC. That methodology
14 consists of dividing the decommissioning estimate (\$599.7 million in 2003 dollars) as
15 developed in the 2003 TLG Study into five parts: Labor, Other, Material, Transportation
16 & Energy and LLRW Disposal. The portions of the estimate allocable to Labor,
17 Transportation and Energy, Materials and LLRW can be extracted from the 2003 TLG
18 Study. Activities that do not fit clearly into one of these categories, such as taxes and
19 fees, are placed in the “Other” category. FPLE provided the portions of the 2003
20 proposed estimate that are in each of these Cost Categories in the Application. Exhibit
21 No. 7.² The escalation rates for Labor, Other, Material, and Transportation & Energy
22 are taken from Global Insight Price Indices produced by DRI. Exhibit No. 6. The Labor

² FPLE advised the Committee staff that there is an error in this table although the result shown is accurate. Approximately \$36 million of the \$98,219,000 shown for LLRW disposal is actually for Off-site processing to which the Labor escalation rate is applied.

1 escalation rate is then applied to the Other category since most of the costs of these
 2 activities are assumed to be based on labor. The resultant annual escalation rates,
 3 including the rate for LLRW discussed below, are shown in the Application. Exhibit No.
 4 8. The weighted average of these separate cost category rates equals the proposed overall
 5 escalation rate. The DRI indices are estimates of future costs for the identified
 6 categories. The indices are based on historic experience that has been adjusted to account
 7 for projected changes.

8 A comparison of the escalation rates assumed for each of these cost categories in
 9 the currently approved funding plan with that proposed by FPLE is provided in the
 10 following table:

| | Currently Approved (%) | Proposed (%) |
|-------------------------|-------------------------------|---------------------|
| Labor | 4.49 | 4.4 |
| Other | 4.49 | 4.4 |
| Material | 2.33 | 1.3 |
| Transportation & Energy | 1.60 | 2.5 |
| LLRW Disposal | 10.6 | 4.2 |
| OVERALL | 5.25³ | 4.1 |

12
 13 The NDFC funds that use of an escalation adjustment continues to be an
 14 appropriate way for approximating the amount that will be needed to complete
 15 decommissioning. However, the usefulness of the adjustment is directly related to the
 16 accuracy of the forecasted future costs. The FPLE proposed change in the escalation rate
 17 would, if approved by the NDFC, have a significant impact on the amount of funds
 18 available when decommissioning begins in 2026 and on the contributions that will be

³ In their 1998 Application the Seabrook owners rounded the calculated Escalation Rate to 5.0% from the calculated value of 4.93%. This was increased to 5.25% by the Committee in its Final Report and Order in NDFC Docket 98-1.

1 required before then. With all other assumptions held constant, changing the escalation
2 adjustment from 5.25% to 4.1% alone would reduce the estimate of fund balance
3 available in 2026 by approximately \$400 million.

4 In developing the LLRW escalation factor for the Application, FPLE used data
5 contained in an NRC document (NUREG 1307 – Report on Waste Burial Charges,
6 Revision 10, October 2002) for the increase in the average cost for the burial of
7 decommissioning-generated LLRW from 1998 to 2002 for a non-Compact State at
8 Barnwell. The data in this document is modeled on the decommissioning of the Trojan
9 Nuclear Plant in Oregon.

10 Seabrook Station previously used the Barnwell LLRW costs over the ten-year
11 period of 1986-1996 when calculating the escalation rate. In the Application, however,
12 FPLE noted that Barnwell had changed from a volumetric to a weight-based rate
13 structure in 1997 and that there is now a sufficiently stable and credible history of
14 disposal costs under this fee structure to make it the basis for the escalation calculation.
15 Exhibit No. 1, Page 41.

16 As it stands today, there is no guarantee that another LLRW facility will be
17 licensed and available to receive the LLRW generated by Seabrook Station during
18 decommissioning. The Committee recognizes that, assuming Seabrook operates until
19 2026, there is time for this situation to change and improve. Prudence dictates, however,
20 that the uncertainty in the availability of a LLRW disposal facility and the cost to its users
21 be reflected in the schedule of payments by the owners. As discussed previously, the
22 largest change in the factors, which are included in the calculation of escalation is in

1 LLRW Disposal. The Committee believes that the appropriate place to account for this
2 uncertainty is in the calculation of escalation.

3 The Application and subsequent exhibits and testimony explained the basis for the
4 proposed 4.1% escalation adjustment. The NDFC, however, finds that due to the
5 volatility of the underlying assumptions FPLE has not provided an adequate basis for
6 adopting the proposed escalation rate. When considering the escalation adjustment rate,
7 the Committee has compared the NRC License Termination Estimate (LTE) for 1998 as
8 filed in NDFC Docket 98-1 with the most recent LTE filed in this Docket. While a
9 precise comparison was not required of the Seabrook owners, review of the filings in the
10 two dockets shows a cost escalation in the LTE between 1998 and the 2003 study to be in
11 the range of 6.0%. The Committee recognizes the imprecision inherent in comparing
12 these two estimates because they are based on different tasks, different site restoration
13 standards, and different timetables, however, the comparison does show that experience
14 in the past six years suggests that reducing the escalation adjustment from 5.25% to 4.1%
15 is, at a minimum, premature. As noted above, the Commission is not convinced that the
16 escalation adjustment should be based on single-point forecasts alone. Rather, the
17 Committee believes that known and measurable experience must also be given
18 appropriate weight when setting the escalation adjustment.

19 However, some historic evidence of an escalation rate higher than the forecasted
20 rate, the Committee is persuaded by the evidence that there is a downward trend in the
21 escalation rate. As a reflection of that trend, the Committee finds that it is reasonable to
22 give equal weight to the 4.93% forecast underlying the decision in Docket 98-1 and the
23 4.1% forecast submitted in this Docket. The resulting 4.5% escalation rate tempers risks

1 that might accrue to New Hampshire citizens from substantial shifts in contributions to
2 the decommissioning fund. Moreover, this result comports with the established
3 ratemaking principle of gradualism. The use of a 4.5% escalation factor, which is 0.40%
4 more than the 4.1% factor proposed by the parties (or an increase of just under 10% of
5 4.1%) also may be considered as incorporating a contingency adjustment factor that is
6 consistent with past practice and precedent of the Committee. As part of the last
7 comprehensive review of decommissioning projections in the NDFC Docket 98-1, the
8 Committee considered the recommended escalation adjustment and applied an additional
9 adjustment factor of 0.25% as a hedge against changing circumstances. This approach
10 was helpful in buffering the impact of unanticipated adjustments during the past six
11 years. The ability to predict costs associated with nuclear decommissioning will continue
12 to be refined as the industry gains more experience by actually decommissioning nuclear
13 reactors. While the Committee will entertain adjustment of the escalation adjustment
14 during the review that will occur each year, the NDFC expects to keep the escalation
15 adjustment at 4.5% until the next comprehensive review, that is, the so-called four-year
16 review.

17 As costs become better known, the Committee will revisit the cost escalation
18 adjustment. Until then, the escalation adjustment to be applied to the schedule of
19 payments will be 4.5%. While this is less than the near-term historic experience, it is
20 greater than the 4.1% rate derived from projections presented in the Application. The
21 Committee also believes sufficient time exists to make further adjustments to ensure the
22 decommissioning fund is fully funded by the time decommissioning begins so that this
23 lower escalation adjustment is sufficient. At the same time, using an escalation

1 adjustment that is higher than that calculated using the DRI data provides further
2 assurance that the decommissioning fund will be able to meet the requirement of prompt
3 decommissioning in the event of a premature cessation of operation.

4

5 2. Inflation Adjustment

6 Since the inception of the Decommissioning Trust, the schedule of payments has
7 been calculated by applying an inflation adjustment to the annual contributions. The
8 inflation adjustment is different from the implicit recognition of inflation used in
9 projecting decommissioning costs. Inflation in the cost of services and materials unique
10 to decommissioning is recognized when calculating the projected cost of
11 decommissioning and is reflected in the escalation rate. The explicit inflation adjustment,
12 in contrast, is applied to the schedule of payments after the projected cost of
13 decommissioning is determined. The inflation adjustment is intended to keep annual
14 payment obligations in sync with an identified rate of inflation. The goal of the inflation
15 adjustment is to avoid inter-generational transfers of decommissioning obligations by
16 requiring different generations of customers to pay an equal amount toward
17 decommissioning in then current year dollars.

18 Assigning all costs associated with Seabrook Station to those customers who, over
19 time, use the electricity generated by the plant was a goal of the original
20 decommissioning statute. However, prior to 2002, nearly all of Seabrook Station was
21 owned by utilities with franchised service territories and retail customers. Today, the
22 direct linkage between Seabrook Station and ratepayers exists through less than 12% of
23 the Seabrook ownership because FPLE sells its output into the competitive market.

1 While MMWEC and FPLE encourage the continuation of the inflation adjustment.
2 However, given the current environment, it is appropriate for the NDFC to reexamine the
3 continuation of the adjustment.

4 MMWEC believes an inflation adjustment should be used to avoid inter-
5 generational shifting of costs and competitive disadvantages. TR. I at 87-89. That is,
6 MMWEC encourages the continuation of the inflation adjustment so that its captive
7 consumers pay the true cost of the energy from Seabrook station, including a part of the
8 decommissioning cost, whenever they receive the electricity produced by the plant. Id.
9 Also, MMWEC believes that the NDFC should take into account the potential impact on
10 competition in the electric industry. Id. Thomas Frantz of the NH Public Utilities
11 Commission testified that one of the principles of ratemaking is that customers should not
12 bear costs for which they receive no benefit. TR. I at 64. Mr. Frantz also recognized that
13 the NDFC sets a cost for decommissioning which is imposed on the Seabrook owners,
14 much like rate regulation. TR. I at 80. FPLE urged the continued use of an inflation
15 adjustment, asserting it to be equitable to all concerned and economically appropriate.
16 TR. II at 47.

17 The transition from ownership of Seabrook by utilities with captive native load
18 customers to having over 88% of the plant being a merchant generator raises the question
19 of whether it is still appropriate to have an inflation adjustment. In one sense, FPLE
20 could be viewed as the only customer for 88% of the plant's output. As a corporation, it
21 will be the same customer in 2026 that it is today. As an unregulated entity, FPLE does
22 not charge its customers NHPUC-approved rates that explicitly contain the Company's
23 annual decommissioning contributions. While FPLE obviously must pay those same

1 decommissioning costs as part of its operational expenses, there is no identified group of
2 consumer ratepayers to which those costs are passed. Thus, it can be argued that
3 ratemaking concerns with respect to inter-generational equity may no longer apply to the
4 FPLE ownership interest..

5 The situation for MMWEC, Taunton and Hudson is unchanged by the FPLE
6 acquisition. These three owners continue to serve retail customers in franchised
7 territories. TR. I at 99. The magnitude of the future decommissioning expense makes it
8 appropriate to recover a proportionate share of the cost from customers over Seabrook's
9 operating life. TR. I at 47. Any allocation of a future cost, especially one that is an
10 estimate of activities that are expected to be completed over forty years from now will be
11 imprecise. Moreover, if the plant ceases operation prematurely, customers who received
12 no electricity from Seabrook Station could be required to fund decommissioning, which
13 would be inequitable. It must be noted that the minority owners have a smaller
14 percentage of their decommissioning obligation in the Decommissioning Trust than does
15 FPLE. This disproportion is the result of the so-called top-off paid by the former
16 Seabrook owners when selling their ownership shares to FPLE. See: NDFC Docket
17 2002-3 Final Report and Order. All but approximately 19% of the 88.2% Seabrook
18 Station ownership interest acquired by FPLE was purchased from regulated utilities. See:
19 NDFC Docket 2001-1 Exhibit No. 1, Att. 2. In the case of the utilities regulated in New
20 Hampshire, the top-off payments were recognized as decommissioning costs charged to
21 customers. This too begs the question of whether the NDFC should seek to avoid future
22 inequity among generations of customers when the present fund balance is the product of
23 inequitable cost recovery.

1 The Committee is not persuaded that the inflation adjustment to the schedule of
2 payments remains appropriate over the long term. The advent of utility deregulation and
3 the ownership of over 88% of Seabrook Station by a merchant generator undermine the
4 reason for the adjustment.

5 The NDFC notes, at the same time, that the proposed inflation rate of 3.0% is a
6 better reflection of inflation than the current rate of 4.0%. Adopting the proposed 3.0%
7 rate not only moves the inflation adjustment in the right direction, but is consistent with
8 the Committee's preference for gradual adjustment whenever practical. The Committee
9 will, therefore, reexamine the continued use of the inflation adjustment and the rate of
10 any such adjustment in the next annual review. The Committee provides notice in this
11 Order that it will not set a schedule that eliminates the inflation adjustment in this Report
12 and Order, but that it supports eventually levelizing payments through elimination of the
13 inflation adjustment. The Seabrook owners should thus anticipate that the inflation
14 adjustment could be eliminated in the next four-year review.

15 3. December Reset

16 In NDFC Docket 2002-2, the NDFC began the practice of establishing the
17 schedule of payments for the following year based on fund balance information at the end
18 of the year. This approach permits the best full-year estimate of earnings during the year
19 to be recognized when setting contribution requirements for the next year. While this
20 Docket will be concluded late in the calendar year, the NDFC notes it will continue this
21 practice. Accordingly, the schedule for payments for 2004 will be established in
22 December 2003 using the Decommissioning Trust market value as of November 30,
23 2003, plus the trust fund contributions required to be made pursuant to NDFC Docket

1 2002-3. The Stipulation requests that the fund balance used in December should also be
2 adjusted for projected earnings in December 2003. The NDFC will not change its current
3 practice by including those estimated earnings. The purpose of calculating the schedule
4 of payments at year-end is to use actual fund balance information, plus known
5 adjustments.

6 The filing and review of the schedule of payments will be a compliance filing by
7 FPPE, which will require approval of the NDFC as part of this Docket before the
8 schedule will be in effect, but no additional hearings will be required. Similarly, the
9 escrow agreement concept approved by this Report and Order will be adopted and
10 reviewed as a compliance filing. Execution of the escrow agreement by the Chairman of
11 the NDFC and the State Treasurer, without further order of the Committee, will be
12 sufficient to establish compliance with this Order of the NDFC.

13 F. Premature Cessation of Operation

14 New Hampshire law mandates that the Committee require the owners of Seabrook
15 Station to provide funding assurance sufficient to ensure payment of their proportionate
16 share of the full decommissioning cost of the facility including full funding for
17 decommissioning in the event of a permanent cessation of operations. RSA-F:21. In
18 2001, the Committee decided that, in the event of a premature shutdown before 2015, the
19 actual demolition of the Seabrook Station could be delayed until 2015. NDFC Docket
20 2001-1 Final Report and Order. This is consistent with community expectations and will
21 permit the Decommissioning Trust to benefit from growth over additional years while not
22 jeopardizing public health and safety. Id. The Committee will continue to use this
23 approach as an appropriate planning tool for meeting the need to address the possibility

1 of premature cessation of operations. The Docket 2001-1 Final Report and Order
2 provides a detailed discussion of the funding that would be provided in the event of an
3 accident at Seabrook Station, and how those funds, including insurance payments, would
4 assist in meeting decommissioning obligations. Those insurance provisions remain in
5 effect. TR. I at 110. However, premature cessation of operation for economic, rather than
6 operational reasons, would require a revamping of the decommissioning funding
7 approach. The funding assurances in place, and those that may be required in the future,
8 are designed to ensure that the decommissioning obligations are met on the schedule
9 established by the Committee.

10 In view of the importance of adequate funding assurance for a premature
11 decommissioning, it is instructive to review the impact of earlier than anticipated
12 shutdown and decommissioning start dates. According to Exhibit No. 8, a 2015
13 shutdown would increase costs by about \$48.4 million; a 2020 shutdown would increase
14 costs by \$35.4 million (see Stipulation at 8). Adding these figures to the \$599.7 million
15 estimate would yield 2015 and 2020 decommissioning estimates of \$648 and \$635
16 million respectively. Escalating these figures at 4.1% and 5.25% through 2015 and 2020
17 yields an approximation of the funds needed to fully fund decommissioning at these
18 starting points. The tables below summarize this discussion.

19
20
21
22
23

1

2015 and 2020 Estimates at 4.1%

| | 2015 Shutdown | 2020 Shutdown |
|---|----------------------|----------------------|
| C/I Estimate (2003 dollars) | \$648M | \$635M |
| Estimate at 4.1% | \$1,059M | \$1,273M |
| Fund Balance per Application (Tab C) | \$770.2M | \$1,140M |
| Fund Balance as % of Decommissioning Cost | 73% | 90% |
| | | |
| Fund Balance per Stipulation (Exhibit 10) | \$887.7M | \$1,381M |
| Fund Balance as % of Decommissioning Cost | 84% | Overfunded |

2

3

2015 and 2020 Estimates at 5.25%

4

| | 2015 Shutdown | 2020 Shutdown |
|---|----------------------|----------------------|
| C/I Estimate (2003 dollars) | \$648M | \$635M |
| Estimate at 5.25% | \$1,215M | \$1,547M |
| Fund Balance per Application (Tab C) | \$770.2M | \$1,140M |
| Fund Balance as % of Decommissioning Cost | 63% | 74% |
| | | |
| Fund Balance per Stipulation (Exhibit 10) | \$887.7M | \$1,381M |
| Fund Balance as % of Decommissioning Cost | 73% | 89% |

5

6

7

Exhibit No. 8 was produced at the request of the NDFC and was provided for illustration

8

only. The actual cost of decommissioning in the event of premature cessation of

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operation would be determined by a site-specific study before decommissioning would

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begin. However, decommissioning costs would be greater if Seabrook Station does not

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operate through 2026. This fact underscores the need for significant funding assurances

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remaining in force. While the evidence before the Committee supports the finding that

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life expectancy for Seabrook Station is its current license life of 2026, the Committee will

1 continue to plan for funding needs that would result from an earlier end of operation, as is
2 required by RSA 162-F:21-c.

3 G. Funding Assurances

4 Funding assurances are required of all non-utility owners of Seabrook Station.
5 RSA 162-F:21-a, III. The NDFC may impose a funding assurance requirement to ensure
6 recovery of decommissioning costs in the event there is a premature permanent cessation
7 of operation. RSA 162-F:19, IV.

8 In Docket No. 2002-2, the NDFC established funding assurance requirements for
9 FPLE. The financial health of FPLE and its parent corporation, FPL Group, has
10 continued to be very strong since those assurances were set. TR. II at 13. During the
11 past year, FPLE has made all necessary filing requirements in order to keep the
12 Committee advised of significant financial and other developments. The FPLE assurance
13 of decommissioning funding is currently provided by a Support Agreement and the
14 Funding Assurances guaranteed to the Committee as a condition of FPLE's taking
15 ownership of about 88% of Seabrook Station on November 1, 2002. NDFC Final Report
16 & Order 2002-2. The FPLE funding assurance for premature permanent cessation of
17 operations for the FPLE ownership share was significantly augmented with a top-off of
18 approximately \$71 million by the selling owners at the time of sale.

19 Based on the record, the NDFC holds that the existing FPLE funding assurances
20 will remain in place until the next annual review by the NDFC and finds the funding
21 assurances are adequate to meet FPLE's obligations, even in the event of a premature
22 cessation of operation.

1 The minority Seabrook owners are utilities, as defined by the NRC, and not
2 subject to NRC additional funding assurance requirements. While the NDFC could
3 impose specific funding assurance requirements for any Seabrook owner, including
4 MMWEC, Taunton and Hudson, that will not be done at this time. See: Response of
5 MMWEC to NDFC request at TR. I at 98-100. The minority owners have,
6 proportionately, less in their decommissioning funds than does FPLE due to the so-called
7 top-off paid as part of the sale to FPLE. See: RSA 162-F:21-a. However, there appears
8 to be sufficient time before decommissioning will begin for the Decommissioning Trust
9 for each Seabrook owner to meet its decommissioning obligation because, at present,
10 premature cessation of operation does not seem likely.

11 While the Committee will not, at this time, require additional funding assurances
12 that are unique to individual Seabrook owners, a separate funding mechanism assurance
13 applicable to all Seabrook owners will be established. The Stipulation (Exhibit No. 2)
14 proposed establishment of an escrow account as a way to test changing circumstances
15 while minimizing the risk of over- or under-funding the Decommissioning Trust. Exhibit
16 No. 2 at 8. In summary, the escrow as proposed in the Stipulation would hold certain
17 funds that, depending on circumstances, would either be placed in the Decommissioning
18 Trust or be released back to the Seabrook owners. As defined in RSA 162-F:14 VI, any
19 method used that “in the aggregate, meets or exceeds the decommissioning funding
20 requirements established by Committee” is a funding assurance. As discussed elsewhere,
21 the Committee adopts the escrow concept proposed by the parties, with modifications, as
22 a form of funding assurance applicable to all Seabrook owners.

23

1 H. Stipulation

2 The parties presented the Committee with a Stipulation that provided a
3 comprehensive and unified position on the issues to be addressed in this docket, with the
4 exception of MMWEC’s reservation on the adequacy of FPLE’s funding assurances.
5 Exhibit No. 2. The NDFC found the Stipulation to be very useful because the Stipulation
6 identified the positions of all parties and provided a coherent proposed resolution to
7 issues needing to be addressed. The Stipulation’s clarity reduced the length of the public
8 hearing, while still providing a full record for the Committee to consider.

9 As part of the Stipulation, the parties proposed a novel approach to funding of
10 decommissioning obligations. In summary, the parties propose a schedule of payments
11 that would have annual payments greater than that proposed in the Application (the
12 Updated Schedule), but less than the annual payments presently required. Under the
13 proposal, the annual contributions would be reduced gradually over the next four years,
14 but with specific annual contributions required from the Seabrook owners. The specific
15 annual contributions are identified as “Proposed Annual Contributions” in the
16 Stipulation. Exhibit No. 2 at 9. Further, the Stipulation proposal called for creation of an
17 escrow account to be held apart from the Decommissioning Trust and into which the
18 difference between the Updated Schedule and the Proposed Annual Contributions would
19 be placed.

20 As proposed in the Stipulation, each year a revised schedule of payments would
21 be presented by the Managing Agent, recalculated using the then current
22 decommissioning fund balance, projections of future decommissioning fund earnings,
23 inflation and decommissioning cost escalation rates. Exhibits No. 2 at 9, section 6.3.2.

1 Once approved by the NDFC, this updated schedule of payments would be the total
2 annual contribution requirement to be made by the owners. If the updated schedule of
3 payments amount is greater than the owners Proposed Annual Contribution identified in
4 the Stipulation, the annual contribution would be paid into the Decommissioning Trust.
5 If the Proposed Annual Contribution is greater than the updated schedule of payments
6 amount, the updated schedule of payments amount would be paid into the
7 Decommissioning Trust, with any remaining amount paid into the escrow. This proposed
8 approach is based on the acceptance by the Committee of the assumptions proposed by
9 the owners regarding inflation, funding dates, earnings projections and escalation rate.

10 The parties proposed that the monies in the escrow would remain there until the
11 completion of the next four-year review unless certain specific events occur, in which
12 case the monies in escrow would be immediately transferred into the Decommissioning
13 Trust or returned to the owners. The first would be in the event of a premature permanent
14 cessation of operations at Seabrook Station. In that case all monies in the escrow would
15 be transferred to the Decommissioning Trust. Under the other proposed “trigger”
16 circumstance

17 [I]f, at the time the Committee issues its order in the next 4-year review,
18 the Fund balance on November 30, 2007 plus projected December 2007
19 contributions (the “year-end 2007 Fund Balance”) is greater than or equal
20 to 57% of the projected cost of decommissioning approved by the
21 Committee in the 2007 four-year review (the “57% target balance”), the
22 total balance in the Escrow Account shall be released in its entirety to the
23 Joint Owners.

1 Exhibit No. 2 at 10, section 6.3.4.1.3.

2 The stipulation proposed that in the event that the Decommissioning Trust fund balance
3 is less than 57% of the target balance, escrowed funds sufficient to bring the fund balance
4 up to 57% of the target balance are to be transferred to the Trust and any remaining funds
5 are to be returned to the owners. Finally, under the parties' proposal, the monies in
6 escrow would be released to the Seabrook owners in the event the NRC approves
7 "extending the operating license for Seabrook Station to account for the low-power
8 testing period."

9 The use of the escrow was proposed by the parties as a gradual way to reduce
10 annual payments into the Decommissioning Trust if the assumptions of the parties as to
11 inflation, fund earnings and escalation are valid. Under the proposal, the amount paid
12 into the decommissioning fund will continue to be determined each year by the NDFC so
13 there would be little risk that the Fund would be under-funded. At the same time, the
14 Seabrook owners would reduce the risk of the Decommissioning Trust being over-
15 funded and having money not needed to complete decommissioning held by the fund
16 until decommissioning is completed, including the final shipment of spent fuel and the
17 final site restoration completed.

18 There is no question that monies paid into the Decommissioning Trust will only
19 be released to the Seabrook owners once all decommissioning activities are completed.
20 RSA 162-F:23, III. The NDFC has the responsibility of ensuring that adequate funds are
21 available to meet all decommissioning costs at the time Seabrook Station is promptly
22 decommissioned at the end of its useful life. At the same time, the Committee does not
23 intend that the Seabrook owners be unnecessarily deprived of access to funds that would

1 properly be returned to them. As shown on Exhibit No. 13, it is quite likely that the NRC
2 will extend the license of Seabrook Station by approximately four years as a recapture of
3 the period between low-power testing and full operation of the plant. The NDFC is
4 unaware of any time the NRC has denied a similar application and, thus, there is reason
5 to expect the NRC will act favorably when the owners seek the recapture of those years
6 on the Seabrook Station operating license.

7 Similarly, the Committee believes setting benchmark expectations for the Fund
8 should continue. In prior orders, the Committee set benchmarks as dollar amounts to be
9 in the fund at established dates. In the stipulation, the parties recommend setting a
10 benchmark for the market value of the fund investments at year-end 2007 as a percentage
11 of the projected cost of decommissioning. The Committee believes the recommendation
12 is an improvement over prior practice and adopts the concept of minimum benchmark
13 expectations of fund valances as a percentage of projected decommissioning costs. The
14 NDFC believes that this recommendation will assist in keeping the Decommissioning
15 Trust requirements in sync with expected needs. This should assist the Committee when
16 translating the risks of premature cessation of operation, changing cost projections, and
17 expected operating life into a schedule of payments to meet decommissioning obligations
18 without significant over-funding. The benchmark expectations will provide guideposts
19 for the Seabrook owners so they can plan for future contributions. Of course, as
20 catalogued in this Report and Order, the funding process is sensitive to changing
21 circumstances. Thus the NDFC will adjust contributions to meet those circumstances,
22 regardless of benchmark expectations.

1 The parties recommend setting the year-end 2007 fund balance benchmark at 57%
2 of the projected cost of decommissioning Seabrook Station, after the NDFC has approved
3 a new projected cost of decommissioning in that year. Assuming Seabrook Station
4 operates for its current license life, another nineteen years would elapse before
5 decommissioning begins, making 2007 approximately half way through the operating life
6 of the station. It should be noted that the current schedule of payments projects that a
7 2007 Fund balance would equal approximately 57% of the current projected cost of
8 decommissioning. See: NDFC Docket 2002-3 Final Report and Order. The proposed
9 benchmarking is consistent with the prior expectations of the NDFC. Having more than
10 half of the projected decommissioning cost in the Fund is appropriate because of the
11 continuing uncertainties about the ultimate decommissioning cost and the risk of
12 premature shut down. Of course, the projected cost of decommissioning is the cost to
13 meet the New Hampshire decommissioning requirements, including site restoration and
14 the storage and disposal of spent fuel. Before the NRC will release Seabrook Station for
15 unrestricted use, it will be necessary to remove all radiological contamination to the
16 NRC-approved background radiation levels. This level is also required to meet New
17 Hampshire decommissioning standards. RSA 162-F:14, II. Meeting the NRC
18 unrestricted use standard is a significant component of decommissioning and a necessary
19 activity to protect the health and safety of New Hampshire citizens. It is also the majority
20 of the decommissioning cost estimate. With the proposed benchmark of 57% of the
21 projected cost of decommissioning in the Fund by 2007, the Fund would have 75% of the
22 cost of meeting the NRC unrestricted use standard.⁴

⁴ This percentage is derived by comparing the LTE calculated as part of the 2003 TLG study, with the Stipulation proposal for Decommissioning Trust contributions and projected 2007 fund balance.

1 In the event of premature permanent cessation of operations, growth of the
2 Decommissioning Trust would provide enough money in 2007 to begin decommissioning
3 in 2015. With modest additional contributions, which are secured by funding assurances,
4 the Decommissioning Trust would meet the requirement of removing radiological
5 contamination, which would precede less critical activities, such as site restoration. The
6 ability to ensure that all radioactive contamination could be removed promptly is an
7 important consideration in protection of the public health and safety. The NDFC will
8 require decommissioning to begin in 2015 in the event of permanent premature cessation
9 of operation before that date. Clearly, to meet NRC requirements, decommissioning
10 could begin in 2015 when the Decommissioning Trust balance in 2007 is estimated to be
11 75% of the total cost of the NRC requirement. This confirms that the payment schedule
12 used over time has successfully met the requirement of ensuring prompt
13 decommissioning.

14 The NDFC finds that use of an escrow account to moderate the effect on the fund
15 of changing circumstances is a fair use of the funding assurance structure permitted by
16 RSA 162-F. In particular, the Committee recognizes that if Seabrook Station has a longer
17 license life, either through a recapture of the nearly four years of life that expired while
18 awaiting full power licensing or through the granting of a license extension by the NRC,
19 the Committee should revisit when decommissioning funds will be needed. In turn, the
20 annual funding obligation may be adjusted. Should the Committee determine that a
21 change in fund obligations is appropriate due to a longer license life, the escrow account
22 provides a means of avoiding unnecessary over-funding of the Decommissioning Trust
23 by the Seabrook owners. At the same time, if the benchmarks set by the Committee are

1 not met, the NDFC will still have immediate access to additional cash. As with all
2 decisions of the NDFC, the Committee will consider the public interest when assessing
3 the escrow proposal.

4 The concept of dividing contributions between the Decommissioning Trust and
5 the escrow account is acceptable and will be used because, while the evidence addressed
6 in this proceeding supports the overall contribution level, there is some basis to expect
7 changes, such as license recapture, that would diminish the need for that level of
8 contribution. Nonetheless, the record in this case is insufficient to adopt a lower level of
9 contributions because the recapture at present is a mere expectation and timing is
10 unknown. Creation of the escrow concept in this case, however, properly balances the
11 Committee's obligation to act on the record before it while anticipating events that are
12 likely to occur.

13 The annual contribution levels, however, will be different from what was
14 proposed by the parties in the Stipulation. The difference in the annual contribution is
15 appropriate because the NDFC does not accept the owners proposed escalation rate
16 assumption and has adopted an escalation rate adjustment that is higher than proposed by
17 the parties. With the higher escalation rate the projected fund balance needed in 2026 is
18 greater, which indicates the need for annual contributions that are higher than those
19 proposed by the parties. At the same time, the Committee will seek to avoid a significant
20 over-funding of the Decommissioning Trust by using the escrow account to adjust
21 payments into the Trust.

1 The Committee believes an appropriate balance will be achieved by adopting the
2 following structure for allocating contributions between the decommissioning fund and
3 the escrow account.

4 The approach the Committee will use differs from the Stipulation in the level of
5 required payments overall and the division of those payments between the
6 Decommissioning Trust and an escrow account. The most significant difference is the
7 calculated required contribution. Where the Stipulation proposed declining contributions
8 from 2004 through 2007 with a formula for assuring a level of payments into the Trust,
9 the Committee adopts a more straightforward approach. Each year the Committee will
10 establish a revised schedule of payments. The annual contribution as determined each
11 year will be the amount to be paid by the Seabrook owners, with 75% paid into the
12 Decommissioning Trust and 25% paid into the escrow account. As provided by RSA
13 162-F, the Committee retains the authority to require a greater contribution to the Trust in
14 the event of a significant deviation from the anticipated level of contribution, or to
15 address a significant change in circumstances.

16 The following table depicts the difference between the contribution level adopted
17 by the NDFC in this Docket compared to the contribution levels proposed by the parties
18 in the Stipulation, including payments to be made into the escrow account. If those
19 contributions increase annually by 3.0%, the division of payments between the
20 Decommissioning Trust and the escrow agreement would result in a higher
21 Decommissioning Trust contribution after four years than requested in the Application
22 and a higher escrow balance than anticipated by the Stipulation. The Committee believes
23 this is appropriate as it believes that the cost of decommissioning the plant will escalate at

1 a rate greater than that proposed by the owners and that there appears to be quite likely
 2 that the NRC will extend the license life to recapture approximately four years of
 3 operating life for Seabrook Station, once an application is made by the owners of
 4 Seabrook Station.

5

| | Anticipated Contribution | Trust (75%) | Escrow (25%) | FPLE 2003 Application | Stipulation Proposed Escrow (\$000) |
|--------------|---------------------------------|--------------------|---------------------|------------------------------|--|
| 2004 | 9.8 | 7.35 | 2.45 | 6.5 | 3.2 |
| 2005 | 10.1 | 7.58 | 2.52 | 6.7 | 2.6 |
| 2006 | 10.4 | 7.80 | 2.60 | 6.9 | 1.8 |
| 2007 | 10.7 | 8.03 | 2.67 | 7.1 | 0 |
| Total | 41.0 | 30.76 | 10.24 | 27.2 | 7.6 |

6

7 The actual annual obligation to the Decommissioning Trust and to the escrow for each
 8 year will be set by order of the NDFC> The 2004 obligation will be set after receipt of
 9 the compliance filing of FPLE on December 22, 2003.

10 While the Committee is unwilling to establish a definitive criterion for release of
 11 funds from the escrow account, either progress towards meeting the total funding of
 12 decommissioning costs or Seabrook Station receiving NRC approval of the recapture
 13 period will be a significant factor the Committee will consider when determining the
 14 distribution of the escrow account. Instead of automatic provisions for distribution of the
 15 escrow account, the Committee will require a determination by the NDFC before any
 16 portion of the escrow will be released back to the Seabrook owners.

17 Because the escrow account is a funding assurance, the funding of the escrow,
 18 and distribution of any funds held in the escrow account, will be determined by the
 19 Committee, after a public meeting, but it will not be necessary for a public hearing to be

1 conducted. Pursuant to RSA 162-F:21 IV, the Committee must hold public hearings,
2 including a public hearing in the Town of Seabrook before changing the schedule of
3 payments. The Committee “may meet to determine whether the amount of . . . any
4 funding assurance in place pursuant to an order of the committee shall be increased,
5 decreased, or otherwise altered” RSA 162-F:22 III. The Committee must conduct
6 an adjudicative proceeding before imposing a funding assurance. RSA 162-F:22, V. The
7 legislative history clearly defines that a non-adjudicative proceeding may be used to alter
8 the terms of a funding assurance.

9 After the NDFC determines that an owner must provide a funding
10 assurance, the committee will not be required to hold an adjudicative
11 proceeding in order to decide the terms and adequacy of funding
12 assurances.

13 *An Explanation of the Intent and Meaning of House Bill 740 (HB 740) at 9-A.* NDFC
14 Docket 2001-1 Exhibit No. 30

15 If the Committee does not release funds from the escrow as a result of the
16 Seabrook Station receiving approval of license recapture or for some other reason, the
17 escrow account will be terminated after the conclusion of the next comprehensive review
18 by the NDFC, which is expected to be conducted in 2007. At that time, the Committee
19 will expect no less than 57% of the projected cost of decommissioning after the NDFC
20 has established a new projected cost of decommissioning to be in the Decommissioning
21 Trust before monies in escrow are released to the Seabrook owners. Similarly, the
22 license life of Seabrook Station will be considered by the Committee when determining
23 the distribution of the escrow account. The Committee will consider all conditions at the

1 time of distribution from the escrow account before deciding what portion of the escrow
2 account should be released back to the Seabrook owners and what amount will be
3 transferred to the Decommissioning Trust. As previously stated, the Committee will first
4 determine what is needed to ensure the viability of the Trust and what is in the public
5 interest when deciding what contributions will need be made to the Trust.

6 The NDFC finds that the use of an escrow account is appropriate to avoid
7 unnecessarily over-funding the Trust. The following requirements for the escrow
8 account along with an otherwise acceptable escrow agreement will be filed with the
9 NDFC as part of a compliance filing in this Docket.

10 The additional requirements that the Committee will mandate are as follows:

- 11 ▪ The escrow agent will be the Treasurer of the State of New Hampshire,
12 who will be responsible for establishing investment guidelines for the
13 escrowed monies.
- 14 ▪ The escrow account will terminate after the NDFC issues a Final Report
15 and Order as part of the RSA 162:F:22 review (the so-called four-year
16 review) of the projected cost of decommissioning. The RSA 162:F-22
17 review will occur in 2007 or earlier. All monies in the escrow account
18 will either be released to the Seabrook owners or transferred to the
19 Decommissioning Trust.
- 20 ▪ The Committee will consider any change in the license life of Seabrook
21 Station in determining how much money should be in the
22 Decommissioning Trust when reviewing an application for distribution of
23 the escrow account. The Committee anticipates the Decommissioning

1 Trust balance expectations will be influenced by decommissioning cost
2 changes resulting from a license extension.

3 ■ The release of monies from the escrow account in the event the NRC
4 extends the operating license to recapture the low-power period will be
5 subject to a determination of the NDFC, and not automatically as
6 originally proposed by the parties in the Stipulation. FPLE indicated that
7 it felt that this was a reasonable approach. TR. I at 144.

8 ■ When calculating the schedule of payments, the funding date will remain
9 as 2026, until changed by the NDFC, regardless of when the NRC may
10 extend the license for Seabrook Station. The NDFC will entertain an
11 application to change the funding date when supported by a study of the
12 projected cost of decommissioning reflecting a license termination date
13 other than 2026. If provided before January 1, 2006, an amended 2003
14 TLG Study, as opposed to a comprehensive decommissioning study, will
15 be accepted as sufficient basis for initiating the review. If an application is
16 made after December 31, 2005, the scope of the decommissioning study
17 will be established by the Committee at the commencement of a docket to
18 review that Application.

19 ■ The NDFC will determine the schedule of payments for each subsequent
20 year during each annual review. The Committee is under no obligation to
21 accept any of the proposed changes to the schedule of payments presented
22 by the Managing Agent.

- 1 ▪ The annual obligation of the Seabrook Owners will be determined using
2 the assumptions set forth in this Report and Order. The schedule of
3 payments into the Decommissioning Trust will require the total obligation
4 be paid in monthly payments into the Decommissioning Trust.
- 5 ▪ In the event an escrow agreement acceptable to the Committee and the
6 Treasurer is completed and in place by March 1, 2004, the schedule of
7 payments into the Decommissioning Trust will be reset as 75% of the
8 annual obligation, with the remaining 25% of the annual obligation to be
9 paid into the escrow account. Under such a schedule of payments, all
10 payments during the first nine months will be paid into the
11 Decommissioning Trust, with all contributions into the escrow account
12 occurring in the final three months of the year.
- 13 ▪ In each subsequent year during which the escrow account is in existence,
14 the annual obligation will be calculated by adding the escrow balance at
15 the end of the prior year to the Decommissioning Trust balance at the end
16 of the prior year, and then applying the assumptions set by the Committee.
17 Once this is done, the total obligation will be divided between the
18 Decommissioning Trust and the escrow account as described immediately
19 above.
- 20 ▪ The order to be issued after the December 22, 2003, filing of revised
21 schedules of payments by FPLE will set forth a schedule of payments to
22 be used in the event no escrow agreement is put into place, and another
23 schedule of payments to be used assuming an escrow agreement is

1 approved by the Committee and the escrow established in accordance with
2 this Report and Order.

- 3 ▪ All contributions to the escrow account shall be made in cash.
- 4 ▪ Release of monies from the escrow account, to either the Seabrook owners
5 or to the Decommissioning Trust, will be at the discretion of the NDFC
6 after a determination of the public interest. The Committee anticipates
7 that by December 31, 2007, at a minimum, 57% of the projected cost of
8 decommissioning will be in the Decommissioning Trust before any
9 monies from the escrow account are released to the Seabrook owners.
- 10 ▪ Any payments into the escrow account will be made only after the annual
11 decommissioning fund contribution has been paid into the Fund.

12 Payments into the escrow account are funding assurance obligations, and are not schedule
13 of payments obligations of the Seabrook owners. Notwithstanding this distinction,
14 payments into the escrow are obligations imposed by the NDFC and fully enforceable by
15 the Committee.

16

17 I. 2004 Filing Requirement.

18 FPLE is to file an independent auditors' report of the Seabrook Nuclear
19 Decommissioning Financing Fund as of December 31, 2003 no later than April 1, 2003.
20 FPLE is to file the annual report no later than August 1, 2004. In addition to information
21 previously required to be included, the annual report is to report on the decommissioning
22 fund performance through June 2004. The Committee anticipates conducting the annual
23 hearing in September 2004.

1 V. CONCLUSION

2 For the reasons set forth within this Report and Order, the Committee finds that
3 the requirements of RSA 162-F will be met and these changes are adopted.

4
5 **Based on the foregoing, it is hereby**

6
7 **ORDERED**, that the funding assurance provided by FPLE approved in the
8 Docket 2002-2 Final Report and Order shall remain in place and unchanged; and it is

9
10 **FURTHER ORDERED**, that the schedule of payments will be established in
11 December 2003 using the assumptions and terms identified in this Report and Order as
12 recalculated using the decommissioning fund market value as of November 30, 2003,
13 plus the trust fund contributions scheduled to be made in December 2003; and it is

14
15 **FURTHER ORDERED**, that payments into the escrow to be established
16 applying the terms set forth in this Report and Order are funding assurance obligations,
17 and are not schedule of payments obligations of the Seabrook owners. Payments into the
18 escrow are obligations imposed by the NDFC and fully enforceable by the Committee;
19 and it is

20
21 **FURTHER ORDERED**, that FPLE is to file an independent auditors' report on
22 the Seabrook Nuclear Decommissioning Financing Fund as of December 31, 2003 no
23 later than April 1, 2003; and it is

24
25
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27
28

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1
2 **FURTHER ORDERED**, that FPLE is to file the annual report no later than
3 August 1, 2004. The annual report is to include all information previously required by
4 the NDFC and detail on the decommissioning fund performance through June 2004; and
5 it is

6
7 **FURTHER ORDERED**, that FPLE shall file with the Committee, on or before
8 December 22, 2003, revised schedules of payments conforming to the requirements of
9 this Report and Order.

10
11
12
13 Agreed by the Nuclear Decommissioning Financing Committee this the 7 th
14 day of December 2003.

15
16 /S/

17
18 _____
19 Thomas B. Getz
20 Chairman Public Utilities Comm.

15
16 /S/

17
18 _____
19 Rep. Robert E. Introne
20 State Representative

21
22 /S/

23
24 _____
25 Michael A. Ablowich
26 State Treasurer

21
22 /S/

23
24 _____
25 Clifton C. Below
26 State Senator

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28 /S/

29
30 _____
31 Scott Bryer
32 Department of Safety

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28 /S/

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30 _____
31 Willard F. Boyle
32 Representative of the Town of
33 Seabrook

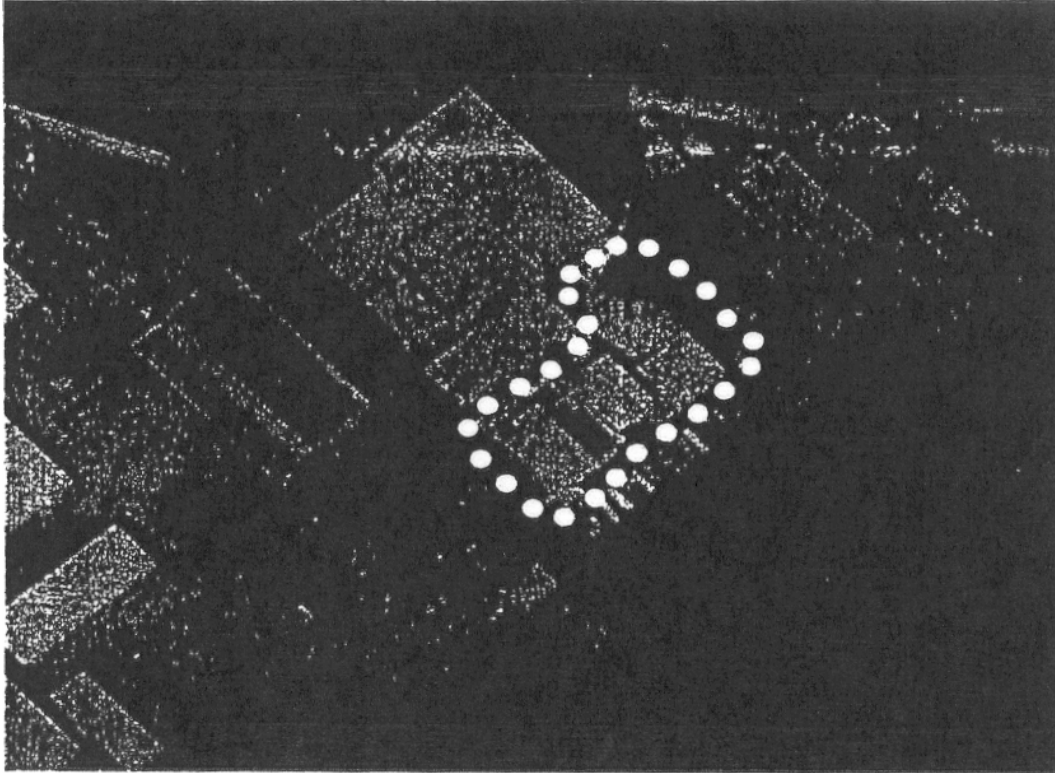
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37 _____
38 Jack Ruderman
39 Governor's Office of Energy
& Planning

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38 Brook Dupee
39 Assistant Director
Health & Human Services

ENVELOPE OF DECOMMISSIONING
CONTEMPLATED IN 2003 TLG COST ESTIMATE



1

1. The 2003 TLG Study Commercial-Industrial area is shown above. Included is removal of the Unit 1 containment building, fuel storage building, main steam and feedwater pipe-chase buildings, emergency feedwater pumphouse, residual heat removal/safety injection equipment vault, primary auxiliary building, refueling water storage tank, waste processing building, and various related minor structures.
2. Excluded is the Unit 1 turbine building; control building (including switch gear and electrical distribution rooms), emergency diesel generator building, cooling tower, unit administration building; and balance of site buildings, structures, and features, including Unit 2.
3. Decontamination of the site to the US Nuclear Regulatory Commission's ("NRC's") "unrestricted use" standard, consistent with RSA 162-F, as amended by HB 740.
4. Temporary onsite storage of spent nuclear fuel and greater-than-Class-C (GTCC) wastes in an Independent Spent Fuel Storage Installation ("ISFSI"), until removal by the US Department of Energy ("DOE"), followed by removal of the ISFSI facility.

Structures and facilities that will remain include the service water and circulating water pumphouses; electricity transmission structures; turbine 1 and administration buildings; sewage and waterlines; associated utilities; and roads.

The 2003 TLG study includes the removal of wetted secondary systems, including Turbine Rotors, Main Steam, Feedwater and Condensate systems for decontamination and disposal. Also the Demin Water System has been included due to a contamination event during the first refueling outage. These were previously excluded.

