

THE STATE OF NEW HAMPSHIRE
NUCLEAR DECOMMISSIONING FINANCING COMMITTEE
DOCKET NO. NDFC 2005-1

PRELIMINARY REPORT AND ORDER

Concord, New Hampshire
November 4, 2005

1 THE STATE OF NEW HAMPSHIRE
2 NUCLEAR DECOMMISSIONING FINANCING COMMITTEE
3 DOCKET NO. NDFC 2005-1

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5 PRELIMINARY 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 annual review of the Decommissioning Trust Fund (Decommissioning
12 Trust or Fund) as required by RSA 162-F:22. The Committee considered the evidence
13 presented and made the following findings to ensure that prompt, safe, and orderly
14 decommissioning of Seabrook Station can occur.

- 15 1. The funding date will remain 2026.
- 16 2. The projected cost of decommissioning is \$699.7 million, when expressed in
17 2006 dollars.
- 18 3. The inflation adjustment applied to the schedule of payments will remain
19 3.0%, as set in NDFC Docket 2003-1.
- 20 4. The escalation adjustment applied to the schedule of payments will remain
21 4.5%, as set in NDFC Docket 2003-1.
- 22 5. The funding assurances from FPLE Seabrook, LLC, established in NDFC
23 Docket 2002-2 will remain unchanged.
- 24 6. The funding assurance escrow account established in NDFC Docket 2003-1
25 will continue to be used, with the contributions in 2006 and 2007 modified as
26 set forth in this Order.
- 27 7. The investment strategy assumptions approved in NDFC Docket 2003-1 are
28 modified and the investment strategy assumptions identified in this Order will be used in

1 calculating the schedule of payments for 2006 assuming they are in compliance with the
2 Investment Guidelines.

3 The Committee's findings are discussed in detail below.

4 II. PARTIES AND THEIR POSITIONS

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

12 Taunton Municipal Lighting Plant (Taunton) and Hudson Light and Power
13 Department (Hudson), both owners of minority interests in Seabrook Station, were
14 notified of the Docket by the Order of Notice and NDFC Docket 2005-1 Order No. 1, but
15 did not to participate. In the absence of direct participation, the NDFC assumes that
16 Taunton and Hudson were represented by the Managing Agent for Seabrook Station.

17

18 III. PROCEDURAL HISTORY

19 The Order of Notice for this docket was issued on June 22, 2005. Timely notice of
20 the Docket was provided to the public by publication in newspapers on July 22, 2005, and
21 filing with the Town of Seabrook Selectmen's Office on July 27, 2005. The first pre-
22 hearing conference was held on August 18, 2005, during which the parties agreed to a
23 proposed procedural schedule and docket scope. On September 1, 2005, the NDFC issued
24 Order No. 1 adopting the proposed procedural schedule and scope suggested by the

1 parties. On June 30, 2005, the Seabrook Station 2005 Annual Report (2005 Annual
2 Report) was filed (Exhibit No. 1). The parties held numerous pre-hearing conferences
3 prior to the public hearing for the purpose of identifying areas of agreement. A
4 Stipulation of the Parties was filed on September 20, 2005, and the signed Stipulation
5 (Exhibit No. 2) was presented at the hearing on October 12, 2005. Final exhibits from
6 FPLE in response to requests of the Committee at the hearings were filed on October
7 [TBD] , 2005.

8 A public hearing was held on October 12, 2005, at the Public Utilities Commission
9 in Concord. One witness appeared during the public hearing: James Peschel, FPLE
10 Regulatory Programs Manager. Mr. Peschel testified to the substance of the Stipulation
11 (Exhibit No. 2), and addressed questions from the NDFC Members. In lieu of additional
12 testimony, the NDFC accepted the following sworn Affidavits:

- 13 • Affidavit of James Peschel, Regulatory Programs Manager, FPL Energy,
14 Seabrook, LLC (Exhibit No. 3)
- 15 • Affidavit of Moray P. Dewhurst, Vice President, Finance, and Chief Financial
16 Officer, FPL Group, Inc. (Exhibit No. 7)
- 17 • Affidavit of Jeffrey Croteau, Prime Buchholz (Exhibit No. 8)
- 18 • Affidavit of Mitchell Ross, Associate General Counsel, FP&L (Exhibit No. 9)

19 IV. DISCUSSION

20 Each year the Committee must review the Decommissioning Trust performance,
21 and the adequacy of funding assurances, and may alter the payment schedule or require a
22 change in any funding assurance to ensure adequate funding for decommissioning. as
23 provided for by RSA 162-F:22, II. During this annual review the schedule of payments is
24 adjusted to ensure full funding of the decommissioning obligation for the prompt

1 decommissioning of Seabrook Station at the end of its operating life. Ibid. Each of the
2 areas reviewed is discussed in the following sections.

3 A. The Projected Cost of Decommissioning

4 The projected cost of decommissioning was established in NDFC Docket 2003-1
5 at the completion of a comprehensive review of the Seabrook Station decommissioning
6 plan and cost estimate, pursuant to RSA 162-F:22, I. The projected cost of
7 decommissioning is defined as the current best estimate of the cost to decommission
8 Seabrook Station at the end of its expected operating life in 2026, as determined in NDFC
9 Docket No. 2003-1. The decommissioning cost established in 2003 is escalated annually,
10 to maintain a current projected cost of decommissioning. The decommissioning plan, and
11 corresponding cost estimate accepted in NDFC Docket 2003-1 included two contingencies
12 related to the disposal of high level and low level radioactive waste generated as a result
13 of the decommissioning process, respectively.

14 The first was the Delay Contingency which adds five years to Department of
15 Energy's official date for the completion and availability of the permanent repository for
16 spent fuel at the Yucca Mountain site in Nevada. With this contingency, it is assumed, for
17 decommissioning funding purposes, that DOE will complete the repository in 2015 and
18 start taking receipt spent nuclear fuel from Seabrook Station and other High Level
19 Radioactive Waste (HLRW) in 2025, one year before the termination of the current
20 operating license. It is assumed for funding purposes that it will take about 20 years for all
21 SNF and other HLRW at Seabrook Station to be removed.

22 Although DOE has not changed their official projected completion of Yucca
23 Mountain in 2010, it is widely expected to be delayed further. Exhibit No. 3. The
24 Committee also recognizes that Yucca Mountain's capacity is statutorily limited and that

1 DOE's schedule for taking receipt of spent fuel is based on the order in which it has been
2 permanently removed from the reactor. As a result, the repository is expected to be at full
3 capacity years before SNF and other HLRW from Seabrook Station, one of the newest
4 plants, is completely removed. Nonetheless, the commercial operation of Yucca
5 Mountain is considered relevant to when a repository will be available for HLRW from
6 Seabrook Station, even if that may not be the actual site to which HLRW from Seabrook
7 Station will be delivered.

8 The potential for further delays related in the schedule for completion of the
9 repository and the limitations on the projected capacity of the present repository cast
10 doubt on when DOE will accept HLRW from Seabrook Station and support the prudence
11 of continued use of the five-year Delay Contingency when projecting the cost of
12 decommissioning Seabrook Station. For this reason, the five-year Delay Contingency will
13 continue be added to the Yucca Mountain in-service date, even as that date is adjusted by
14 DOE. FPLE should include that assumption when developing future decommissioning
15 plans to be reviewed by the NDFC. The NDFC will welcome a more in-depth review of
16 the continued use of the Delay Contingency in the 2006 annual review.

17 Seabrook Station will run out of adequate storage capacity in its spent fuel storage
18 pool long before the end of its licensed life and long before DOE is expected to be able to
19 begin taking receipt of their SNF. As a result, FPLE, like many other nuclear operators,
20 plans to construct Independent Spent Fuel Storage Installation (ISFSI) to provide
21 additional onsite HLRW storage capacity. of the Seabrook Station ISFSI will be of
22 sufficient size to store 100% of the full capacity of spent fuel from the Seabrook Station.
23 This planning includes storage of the additional spent fuel generated should the Plant's
24 operating license be extended by the Nuclear Regulatory Commission. The Committee

1 recognizes and appreciates FPLE's responsible actions in developing alternatives for spent
2 fuel storage that do not rely on the dates targeted by DOE for commencement of
3 operations at the Yucca Mountain facility. The planning for this expanded ISFSI will be
4 considered in the 2007 comprehensive review, which should provide FPLE sufficient time
5 to complete planning so that a more definitive timetable for the ISFSI should be known.

6 The other approved contingency was in the cost calculation for Low Level
7 Radioactive Waste (LLRW). There has been no significant change in the cost of LLRW
8 disposal or in the vendors used to process that disposal, and Seabrook Station has not been
9 advised of any impending changes. Due to the uncertainty of LLRW disposal options
10 after the contract with the Barnwell facility expires in 2008, FPLE is planning for
11 expanded LLRW disposal at Seabrook Station. Exhibit No. 3; TR. at 19. Without any
12 significant changes in the cost of LLRW disposal, the LLRW contingency is sufficient to
13 moderate the impact of an unforeseen cost increase and the Committee finds there is no
14 need to adjust the projected cost of decommissioning before the next 4-year review in
15 2007.

16 B. Funding Date

17 The Committee must establish the funding date for which the schedule of
18 payments is designed. The funding date is the day on which contributions into the
19 Decommissioning Trust may end because the NDFC believes "the fund shall have
20 sufficient monies to complete decommissioning" on the schedule approved by the NDFC.
21 RSA 162-F:14, V. In NDFC Docket 2003-1, the Committee established the funding date
22 as October 2026, corresponding to the termination of the Seabrook Station operating
23 license. The parties recommend no change to the funding date. The Committee will
24 examine the funding date in each annual review, and expects the funding date will remain

1 unchanged until the next 4-year review in 2007.

2 C. Earnings and Inflation Assumptions: Escalation Adjustment

3 The parties recommend that the NDFC continue to use the earnings and inflation
4 assumptions and the escalation adjustment adopted in NDFC Docket 2003-1. Exhibit No.
5 2, Sections 3.12. Ibid. The reasons for adopting each assumption and escalation
6 adjustment are fully detailed in the Final Report and Order, NDFC Docket 2003-1, and
7 will not be repeated here. The post-shutdown assumptions are discussed in a separate
8 section.

9 FPLE and MMWEC advised the Committee that they will increase their
10 investments in equity funds in future years. These adjustments will affect the calculations
11 of annual contributions of the schedule of payments because of the higher assumed
12 earning rate for equity investments in the Decommissioning Fund compared to cash and
13 debt investments. The adjustments will be made subject to the Investment Guidelines
14 approved by the State Treasurer.

15 The NDFC determines the payments into the Decommissioning Fund and the
16 funding assurance escrow to ensure all decommissioning costs are met to accomplish
17 prompt decommissioning of Seabrook Station. The Investment Guidelines establish limits
18 for the investments of monies paid into the Decommissioning Fund. In turn, the
19 investment elections made by Seabrook Station Owners are factored into the model used
20 by Prime Buchholz to calculate the schedule of payments.

21 The NDFC sets the Schedule of Payments based on the judgment of the NDFC
22 Members, and do not adopt projected payment requirements by adopting figures provided
23 by a computer model. Rather, the Prime Buchholz model incorporates the decisions of the
24 Committee, including payment requirements based on factors other than established

1 investment strategies. The NDFC appreciates the courtesy extended by Seabrook Station
 2 Owners in advising the Committee of their investment strategies and will monitor
 3 investment performance as part of the annual review of fund performance.

4 The Committee agrees that the basis for establishing the assumptions and
 5 escalation adjustment assumptions used to produce the schedule of payments should
 6 remain as:

- 7 • 3% inflation
- 8 • 4.5% escalation
- 9 • investment earnings assumptions for each fund as set forth in the following
 10 chart.

Fund	Investments	Nominal	Real	Basis
1A	Taxable Bonds	6.0%	3.0%	Pre-tax
1B	Core Stocks	9.5	6.5	Pre-tax
2	Taxable Bonds	6.0	3.0	After-tax
3	Tax-Exempt Bonds	4.8	1.8	After-tax
4	Cash/Short-Term	3.5	0.5	After-tax
5	Core Stocks	9.5	6.5	After-tax
Inflation		3.0		Pre-tax

11

12 D. Schedule of Payments: December Re-set and Earnings Assumptions

13 In NDFC Docket 2002-2, the NDFC began the practice of basing the schedule of
 14 payments beginning on January 1 of the following year based on a November 30 actual
 15 Fund balance adjusted to estimate the end-of-year balance as closely as possible. In
 16 NDFC Docket 2004-1 the year-end calculation was further refined. This approach permits
 17 the best full-year estimate of earnings during the year to be recognized when setting

1 contribution requirements for the next year and the NDFC will continue this practice.

2 Consistent with prior orders, the calculation of the 2006 funding schedules will be
3 based on the Decommissioning Trust and funding assurance escrow balances as of
4 November 30, 2005, plus the December contribution to the funding assurance escrow,
5 plus earnings for December on both the Decommissioning Trust and funding assurance
6 escrow balances, minus the estimated expenses applicable to both. Consistent with prior
7 orders, starting in January, 2006 and extending through and including the September,
8 2006 scheduled payments, the Joint Owners shall pay 75% of that funding run into the
9 Decommissioning Trust (the "December Reset Trust Payments").

10 Rather than the approximately \$950,000 payment into the funding assurance
11 escrow that would result from the above assumptions if the remaining 25% were
12 contributed to the funding assurance escrow, the parties supported an overall payment for
13 2006 (*i.e.*, Decommissioning Trust + funding assurance escrow) of \$6.0 million. The
14 Committee accepts that proposed increase and, accordingly, the 2006 payments into the
15 Funding Assurance Escrow shall be calculated by subtracting the sum of the total 2006
16 contributions to the Fund and the funding assurance escrow, as calculated during the
17 December Reset, from \$6.0 million. This amount shall be deposited into the funding
18 assurance escrow. By way of example, under the schedules attached to the Stipulation,
19 this calculation results in a 2006 Funding Assurance Escrow contribution of \$3,236,728:
20 \$6.0 million minus the 2006 Decommissioning Trust payment of \$2,763,272 =
21 \$3,236,728.

22 FPLE and MMWEC advised the NDFC that they have revised their investment
23 strategies and will increase their equity investments, while not exceeding the maximum
24 level provided by approved Investment Guidelines. The NDFC will use the revised

1 investment plans when setting schedules of payment for these owners, in part because the
2 plans are consistent with the approved Investment Guidelines.

3 E. Premature Cessation of Operation

4 The Committee requires the owners of Seabrook Station to provide funding
5 assurances sufficient to ensure payment of their proportionate share of the full
6 decommissioning cost of the facility including full funding for decommissioning in the
7 event of a premature cessation of operations. RSA-F:21. In prior dockets, the NDFC
8 established funding assurances for FPLE (NDFC Docket 2002-2 Final Report and Order)
9 and for all Seabrook Station owners (NDFC Docket 2003-1 Final Report and Order). In
10 2001, the Committee decided that, in the event of a premature shutdown before 2015, the
11 actual demolition of the Seabrook Station could be delayed until 2015. NDFC Docket
12 2001-1 Final Report and Order. The Committee will continue to use this planning tool to
13 address the possibility of premature cessation of operations. Based on the record, the
14 NDFC is unaware of any reason to expect premature cessation of operation of the
15 Seabrook Station.

16 F. FPLE Funding Assurances

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

21 In NDFC Docket 2002-2, the NDFC established funding assurance requirements
22 for FPLE, which included a guaranty by its indirect parent company, FPL Group Capital,
23 Inc., which in turn is backed by a guaranty by the holding company, FPL Group, Inc. The
24 NDFC monitors the strength of all funding assurances to determine whether any of the

1 “triggers” established in NDFC Docket 2002-2, which would result in immediate
2 payments by FPLE, are likely to be activated. The Committee is satisfied that the
3 financial health of FPL Group, Inc. and its utility subsidiary, FPL, remains strong.
4 Exhibit No. 7. Similarly, Seabrook Station continues to perform better than the industry
5 averages. Exhibit 1, Attachment B (Tables 1, 2, and 3). Based on the record, the NDFC
6 holds that the existing FPLE funding assurances will remain in place until next reviewed
7 by the NDFC, and finds the funding assurances are adequate to meet FPLE’s obligations,
8 even in the event of a premature cessation of operation.

9 G. Escrow Funding Assurance

10 In NDFC Docket 2003-1, the Committee established a funding assurance escrow
11 into which all Seabrook Station owners deposit 25% of their annual schedule of payments
12 obligation. NDFC Docket 2003-1, Final Report and Order. The first payments were
13 made into the funding assurance escrow in October 2004. In 2007, the Committee will
14 determine how much, if any, of the funding assurance escrow will be returned to Seabrook
15 Station owners. NDFC Docket 2003-1, Final Report and Order. In that docket, the
16 Committee noted that one consideration in determining whether the release of escrow
17 funds will be released to the owners or transferred to the Fund in 2007 is whether or not
18 the ratio of the balance of the Decommissioning Trust Fund to the projected cost of
19 decommissioning falls below 57%. In NDFC Docket 2004-1, this benchmark was
20 adjusted to 55.5%. NDFC Docket 2004-1, Final Report and Order at 12. This ratio will be
21 calculated by dividing the December 31, 2007 Trust Fund balance by the December 31,
22 2006 decommissioning cost projection. The ultimate determination of the distribution of
23 the funding assurance escrow will be made solely by the NDFC, and while guided by the
24 considerations set out in Orders of the Committee including achieving the Fund balance to

1 target cost percentage of 55.5% or obtaining NRC approval of recapture of the low-power
2 testing time period, the NDFC has complete discretion to decide what portion of the
3 escrow, if any, is returned to the Seabrook Station owners and what portion, if any, is
4 deposited in the Decommissioning Fund. The Escrow Agreement and Exhibit No. 2
5 testimony of the Seabrook Station owners confirms their agreement that the Committee
6 has sole discretion over distributions from the funding assurance escrow.

7 The parties urge the NDFC to adjust the escrow payment obligation from a
8 percentage of the annual obligation, to an amount equal to \$6.0 million minus the total
9 2006 payments into the Decommissioning Trust. Exhibit No. 2, Section 10.9, page 15.
10 Without this change, the amount of the escrow payment would be dramatically reduced, if
11 the NDFC sets a 2006 schedule of payments based on the requested revised post-
12 shutdown investment and the effect of increased equity investments, as discussed
13 elsewhere. The parties stipulated that, absent an adjustment, the escrow would receive
14 \$950,000 in 2006. Exhibit No. 2 at 5. As proposed, the funding assurance escrow would
15 receive approximately \$3.2 million in 2006. Ibid.

16 The formula for payments into the funding assurance escrow assumed continuation
17 of the investment strategy then in use, including during the post-shutdown period. The
18 parties correctly recognize the intent of the funding assurance escrow is not controlled by
19 the formula, and the Escrow Agreement recognizes that the annual contribution will be set
20 by the NDFC. NDFC Docket 2003-1, Order No. 4, Attachment 1, page 4. See also:
21 NDFC Docket 2003-1, Final Report and Order at 43.

22 The funding assurance escrow is a vehicle to ensure full funding of
23 decommissioning costs, while providing a means to mitigate the risks of over-funding.
24 The Committee accepts the recommendation of the parties that the 2006 funding

1 assurance escrow contribution should be approximately \$3.2 million, consistent with
2 Attachment G to Exhibit No. 2. The parties do not propose an escrow payment for 2007,
3 although Attachment G to the Stipulation (Exhibit No. 2) identifies a 2007 contribution to
4 the escrow of \$3.1 million. The NDFC will establish the 2007 escrow obligation as part
5 of the 2006 annual review, but the Seabrook Owners should expect the contribution to be
6 no less than the approximate \$3.2 million. The other requirements for the Funding
7 assurance escrow established in NDFC Docket 2003-1, Final Report and Order (page 47,
8 et seq.) remain unchanged, including that payments into the escrow account will be made
9 only after the annual decommissioning fund contribution has been paid into the Fund.

10 H. Post-Shutdown Earning Assumptions

11 The parties request that the Committee accept the proposed change the investment
12 strategies that will be employed after Seabrook Station ceases operation. Presently, the
13 approved strategy is to convert all fund investments to cash and cash equivalents over a
14 period beginning 5 years before planned shutdown. The parties propose a revised strategy
15 that will reallocate Decommissioning Trust investments so that no more than 25% will
16 held in equities, 25% in high-quality fixed income instruments, and the balance in cash
17 and cash equivalents post shutdown. Exhibit No. 2. Further, the parties propose that the
18 NDFC establish a standard for the amount of cash that must be in the Decommissioning
19 Trust after shutdown. The proposed standard would require that the sum of the funds in
20 cash, cash equivalents and high-quality fixed income instruments be equal to no less than
21 3.3 times the following calendar years anticipated fund expenditures during the high
22 expenditure years from 2026 to 2032. Exhibit No. 2 at 8. The parties request that the
23 NDFC include this proposed post-shutdown investment strategy, and the resulting
24 earnings assumptions, when setting a schedule of payments.

1 From the inception of the Decommissioning Trust, the NDFC has required all
2 funds be converted to cash and cash equivalents before October 2026, the current end of
3 the operating license, and held as cash and cash equivalents until all decommissioning is
4 completed. While this approach ensures decommissioning costs can be met on schedule,
5 it fails to account for improved knowledge about the duration of decommissioning
6 activities and the existence of the Decommissioning Trust. The current approved
7 decommissioning plan for Seabrook Station spans twenty years, with significant
8 expenditures in the early years and in the final two years, with flat expenditures in
9 between. This reflects prompt decommissioning, followed by the long-term storage of
10 spent fuel until it can be released to DOE and the dismantlement of the Independent Spent
11 Fuel Storage Installation (ISFSI).

12 The Committee believes that a conservative post-shutdown investment program is
13 appropriate. The approved decommissioning plan for Seabrook Station details a
14 systematic dismantling and removing of Seabrook Station. Until decommissioning
15 technology changes, there is no way to accelerate the decommissioning schedule, which
16 presently calls for significant expenditures from 2026 through 2035. It follows that the
17 liquid assets must be held by the Decommissioning Trust sufficient to cover upcoming
18 decommissioning costs as expenses are incurred, with some amount of additional liquid
19 assets as a contingency for unexpected cost increases. The NDFC agrees that cash, cash
20 equivalents, and high-quality fixed income instruments should be considered liquid assets
21 for this purpose because all can be quickly converted to cash, should the need arise.

22 The Committee adopts the recommendations of the parties with some
23 modification. The Committee adopts the coverage ratio methodology as a benchmark for
24 measuring when equity investments would be included in the earnings assumptions post-

1 shutdown. The NDFC will measure the coverage ratio as the amount held as cash, cash
2 equivalents, and high-quality fixed income instruments, compared with the total expenses
3 to be paid from the Decommissioning Trust in the following year. The expenses will
4 include all decommissioning costs as well as all taxes and fees. The Committee will look
5 to the Investment Guidelines as approved by the State Treasurer for guidance on
6 acceptable investment instruments, but the NDFC will set the schedule of payments using
7 the earnings assumptions accepted by the Committee, which may include investment
8 assumptions, including types of investments, that differ from those actually used by the
9 owners or that may be more conservative than the Investment Guidelines. This approach
10 is consistent with preserving the independent roles of the NDFC and the State Treasurer,
11 with the former directing the level of contributions and expenditures, and the latter setting
12 acceptable investment parameters.

13 Until changed by the NDFC, the schedule of payments will include post-shutdown
14 investment assumptions for each Seabrook Owner that include investing up to 25% in
15 equity securities, 25% in high-quality fixed income instruments, and the remainder in cash
16 and cash equivalents. The NDFC will use a coverage ratio of not less than 3.3 times the
17 decommissioning costs in the following year as a benchmark for assuring sufficient
18 liquidity to complete prompt decommissioning. The NDFC will measure the coverage
19 ratio as the amount held as cash, cash equivalents, and high-quality fixed income
20 instruments, compared with the total expenses to be paid from the Decommissioning Trust
21 in the following year, regardless of whether the expenses are for management of the trusts
22 or actual decommissioning activities. The coverage ratios in the following chart are
23 acceptable and the minimum coverage of 3.3 for each year will be used until adjusted by
24 the Committee.

1 To appreciate the likely coverage ratios, the following chart is excerpted from the
2 Stipulation of the Parties (Exhibit No. 3).

YEAR	As Proposed in Exhibit No. 2
2026	6.8
2027	3.4
2028	3.4
2029	4.5
2030	3.8
2031	3.3
2032	3.4

3

4 I. 2006 Filing Requirement & 2007 Comprehensive Review

5 FPLE is to file, no later than March 1, 2006, an independent auditors' report of the
6 Seabrook Nuclear Decommissioning Financing Fund as of December 31, 2005. FPLE is
7 to file the 2006 annual report no later than April 1, 2006. In addition to information
8 previously required to be included, the annual report is to report on the decommissioning
9 fund performance through February, 2006.

10 During the hearing FPLE was asked to provide additional information on ways the
11 2005 Energy Act might affect Seabrook Station, and provided the opportunity to provide a
12 response by a supplemental filing. In response to a hearing request, FPLE submitted a
13 letter advising the Committee that, due to the complexity of the 2005 Energy Act, FPLE's
14 review was not yet completed, and also requested the opportunity to provide the
15 information be included in the 2006 Annual Report. Exhibit No. 13. The Committee
16 appreciates that FPLE would prefer to address this after more time for review, since the
17 2005 Energy Act was enacted on August 8, 2005, and is over 1,700 pages long.
18 Accordingly, the Committee accepts Exhibit No. 13 as sufficient at this time, and will
19 expect FPLE to include a comprehensive review of the impact of the 2005 Energy Policy

1 Act on Seabrook Station, disposal of HLRW and LLRW, and decommissioning as part of
2 the 2006 Annual Report and expect further questioning on topic as part of the 2006
3 Annual Review.

4 In 2007, the NDFC will conduct the comprehensive review of decommissioning
5 planning and cost projections required under RSA 162-F:22 I. In response to a hearing
6 inquiry, FPLE requested guidance from the NDFC on the development of the next
7 decommissioning study. As part of that request, FPLE recommended that either the 2006
8 annual review be completed early in the year, so that the Final Report and Order could be
9 issued before August 2006, or the NDFC provide guidance in this Report and Order, so
10 they would have that direction well in advance of the six months needed to complete the
11 decommissioning study. FPLE also asks the NDFC to provide direction on whether to
12 include the anticipated 3.4 year's license recapture, currently pending with the NRC, and
13 whether the decommissioning study should be completed on a calendar year basis, or, as
14 in 2003, base cost projections from a mid-year point.

15 The decommissioning study should be developed with set assumptions to
16 minimize the need for revisions and adjustments, and approximately six months is needed
17 for that task. FPLE's foresight is appropriate and appreciated. The NDFC is prepared to
18 accommodate the requests by providing direction on the identified areas. Regarding
19 Seabrook Station's license recapture application, the NDFC recognizes that license life
20 would be extended to 2030 if the NRC approves the application. Mr. Peschel testified that
21 FPLE continues to anticipate NRC final action on the application by June 2006. Since
22 there is no certainty for when the NRC may act, in 2007 the Committee will accept for
23 review a decommissioning plan premised on a termination of the operating license in
24 either 2026, or a later date that is approved by the NRC prior to the filing of the 2007

1 annual report. To avoid confusion and future cost adjustments, the NDFC requests that
2 the decommissioning study should be prepared for submission to the NDFC on February
3 1, 2007, with costs stated in January 2007 dollars.

4 V. CONCLUSION

5 For the reasons set forth within this Preliminary Report and Order, the Committee
6 approves the recommendations of the Stipulation of the Parties, and finds that the
7 requirements of RSA 162-F for funding decommissioning will be met.

8
9 **Based on the foregoing, it is hereby**

10
11 **ORDERED**, that the funding assurance provided by FPLE approved in the Docket
12 2002-2 Final Report and Order shall remain in place and unchanged; and it is

13
14
15 **FURTHER ORDERED**, that the payments into the Decommissioning Trust and
16 funding assurance escrow from Seabrook Station owners for 2006 shall be calculated in
17 accordance with this Report and Order and total \$6.0 million, and it is

18
19 **FURTHER ORDERED**, that the schedule of payments for 2006 will be
20 established in December 2005 using the assumptions and terms identified in this
21 Preliminary Report and Order as recalculated using the Decommissioning Fund and
22 Funding Assurance Escrow account market values as of November 30, 2005, plus the
23 escrow account contributions scheduled to be made in December 2005, plus the estimated
24 earnings assumptions for December 2005 approved in NDFC Docket 2004-1, minus the
25 December 2005 estimated expenses approved in NDFC Docket 2004-1; and it is

26
27 **FURTHER ORDERED**, that the 2006 contributions into the funding assurance
28 escrow shall be calculated as \$6.0 million minus the 2006 contributions to the
29 Decommissioning Trust and shall be paid into the escrow only after all contributions to
30 the decommissioning trust have been made for 2006; and it is

31
32 **FURTHER ORDERED**, that payments into the funding assurance escrow are
33 funding assurance obligations, and are not a schedule of payment obligations of the
34 Seabrook owners. Payments into the escrow are obligations imposed by the NDFC and
35 fully enforceable by the Committee; and it is

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37 **FURTHER ORDERED**, that FPLE is to file, no later than March 1, 2006, an
38 independent auditors' report on the Seabrook Nuclear Decommissioning Financing Fund
39 as of December 31, 2005; and it is

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41 **FURTHER ORDERED**, that FPLE is to file the 2006 annual report no later than

1 April 1, 2006. The 2006 annual report is to include all information previously required by
2 the NDFC in annual updates and detail on the Decommissioning Fund performance
3 through February 2006; and it is
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5 **FURTHER ORDERED**, that FPLE shall file with the Committee, on or before
6 December 22, 2005, revised schedules of payments and funding assurance schedules
7 conforming to the requirements of this Report and Order; and it is
8

9 **FURTHER ORDERED**, that any party to this proceeding wishing to comment on
10 this Preliminary Report and Order shall file written comments with the NDFC no later
11 than November 18, 2005, and provide a copy to all parties on the same date; and it is
12

13 **FURTHER ORDERED**, that FPLE shall give notice causing a copy of the Notice
14 of Public Hearing that is Attachment 1 to be published in a newspaper having general
15 circulation in that portion of the State in which operations are conducted, and a newspaper
16 having state-wide circulation, the last such publication to be not later than November 22,
17 2005. FPLE shall confirm publication by affidavit to be made on a copy of this notice
18 and filed with the NDFC on or before December 6, 2005.
19

20 This is a Preliminary Report and Order of the NDFC prepared in conformity with
21 RSA 162-F:21, III. A Final Report and Order will be issued after the Committee has
22 reviewed all comments received regarding this Preliminary Report and Order, and after
23 the review of all comments submitted at the hearing to be held in the Town of Seabrook,
24 New Hampshire on December 6, 2005.
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26 This Preliminary Report and Order is released on November 4, 2005.

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10 THE STATE OF NEW HAMPSHIRE
11 NUCLEAR DECOMMISSIONING FINANCING COMMITTEE
12 NDFC 2005-1
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14 Notice is hereby given that the Nuclear Decommissioning Financing Committee
15 (“NDFC”), established pursuant to RSA 162-F:21, IV, shall, in accordance with the
16 provisions of RSA 162-F, and RSA 541-A, et seq., hold a public hearing on December 6,
17 2005 at 7:00 P.M. at the Seabrook Town Offices. The purpose of the hearing will be to
18 receive the views of the public on the Preliminary Report and Order of the NDFC, which
19 establishes a new level of funding of the Nuclear Decommissioning Fund for the Seabrook
20 Nuclear Power Station as of January 1, 2006.

21 The Preliminary Report and Order of the NDFC, the transcript of the public
22 hearing and the record of the docket upon which the NDFC based its determinations are
23 available for public review in the Seabrook Town Clerk’s office, starting on November 4,
24 2005.

25 A copy of this notice shall be published in a newspaper having general circulation
26 in that portion of the State in which operations are conducted and a newspaper having
27 state-wide circulation, the last such publication to be not later than November 22, 2005,
28 and a copy of this notice shall be posted by that date in at least two places in the Town of
29 Seabrook, New Hampshire.
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