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

FINAL REPORT AND ORDER

Concord, New Hampshire
December 6, 2005

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I. SUMMARY OF FINDINGS

In this docket, the Nuclear Decommissioning Funding Committee (NDFC or Committee) conducted the annual review of the Decommissioning Trust Fund (Decommissioning Trust or Fund) as required by RSA 162-F:22. The Committee considered the evidence presented and made the following findings to ensure that prompt, safe, and orderly decommissioning of Seabrook Station can occur.

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

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

The Committee's findings are discussed in detail below.

II. PARTIES AND THEIR POSITIONS

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

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

III. PROCEDURAL HISTORY

The Order of Notice for this docket was issued on June 22, 2005. Timely notice of the Docket was provided to the public by publication in newspapers on July 22, 2005, and filing with the Town of Seabrook Selectmen's Office on July 27, 2005. The first pre-hearing conference was held on August 18, 2005, during which the parties agreed to a proposed procedural schedule and docket scope. On September 1, 2005, the NDFC issued Order No. 1, adopting the proposed procedural schedule and scope suggested by the parties. On June 30, 2005, the Seabrook Station 2005 Annual Report (2005 Annual

Report) was filed (Exhibit No. 1). The parties held numerous pre-hearing conferences prior to the public hearing for the purpose of identifying areas of agreement. A Stipulation of the Parties was filed on September 20, 2005, and the signed Stipulation (Exhibit No. 2) was presented at the hearing on October 12, 2005. Final exhibits from FPLE in response to requests of the Committee at the hearings were filed on October 17, 2005.

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

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

The Preliminary Report and Order was issued on November 4, 2005, and made available to the public at the offices of the Seabrook Town Clerk and the Public Utilities Commission, as required by RSA 162:F-21 IV. Notice of publication of the public hearing in Seabrook, New Hampshire, was made on November 21 and 22, 2005, and Certificate of Publication provided to the NDFC on December 6, 2005. On December 6, 2005, the NDFC held a public hearing at the Seabrook Community Center to receive comments about the Preliminary Report and Order from the public.

IV. DISCUSSION

Each year the Committee must review the Decommissioning Trust performance, and the adequacy of funding assurances, and may alter the payment schedule or require a change in any funding assurance to ensure adequate funding for decommissioning as provided for by RSA 162-F:22, II. During this annual review, the schedule of payments is adjusted to ensure full funding of the decommissioning obligation for the prompt decommissioning of Seabrook Station at the end of its operating life. Ibid. Each of the areas reviewed is discussed in the following sections.

A. <u>The Projected Cost of Decommissioning</u>

The projected cost of decommissioning was established in NDFC Docket 2003-1 at the completion of a comprehensive review of the Seabrook Station decommissioning plan and cost estimate, pursuant to RSA 162-F:22, I. The projected cost of decommissioning is defined as the current best estimate of the cost to decommission Seabrook Station at the end of its expected operating life in 2026, as determined in NDFC Docket No. 2003-1. The decommissioning cost established in 2003 is escalated annually to maintain a current projected cost of decommissioning. The decommissioning plan, and corresponding cost estimate accepted in NDFC Docket 2003-1, included two contingencies related to the disposal of High Level Radioactive Waste (HLRW), Greater Than Class C Waste (GTCC), and Low Level Radioactive Waste (LLRW) during the decommissioning process.

The first contingency was the Delay Contingency, which adds five years to the Department of Energy's official date for the completion and availability of the permanent repository for spent fuel at the Yucca Mountain site in Nevada. Presently, with this contingency, the NDFC assumes for decommissioning funding purposes that DOE will complete the repository in 2015 and start taking receipt of Spent Nuclear Fuel (SNF) from Seabrook Station in 2025, one year before the termination of the current operating license for Seabrook Station. It is assumed for funding purposes that it will take about 20 years for all SNF and other HLRW at Seabrook Station to be removed, at which point the cost of removing the Independent Spent Fuel Storage Installation (ISFSI) will be the final decommissioning expenditure.

Although DOE has not changed the official projected completion of Yucca Mountain from 2010, the completion date is widely expected to be delayed further. Exhibit No. 3. The legitimacy of such skepticism was apparent to NDFC members who recently toured Yucca Mountain. The Committee also recognizes that Yucca Mountain's storage capacity is statutorily limited, and that DOE's schedule for taking receipt of spent fuel is based on the order in which SNF is permanently removed from a reactor. As a result, the repository is expected to be at full capacity years before SNF and other HLRW from Seabrook Station, one of the newest plants, would be eligible for shipment to Yucca Mountain. The capacity limit for Yucca Mountain was based, in part, on the assumption that one or more additional repositories would be established elsewhere in the country. Given the status of Yucca Mountain, the NDFC must question whether decommissioning planning should accept that assumption.

When estimating the cost of decommissioning Seabrook Station, the NDFC has used disposal at Yucca Mountain as a reasonable indicator of costs associated with disposal of SNF and GTCC waste. The requirement of prompt decommissioning, and the funding of decommissioning assumes all SNF and GTCC waste will be removed from

Seabrook Station by DOE. This is based on the assumptions in the TLG Cost Analyses submitted to the Committee by FPL Energy, and is embedded in the Orders issued by the Committee. The updated estimates that we approve in this docket are based on the assumptions contained therein, namely, that DOE begins to take receipt of spent fuel from the nuclear industry for transport to the Yucca Mountain permanent repository in 2015, that DOE's first receipt of spent fuel from Seabrook Station occurs in 2025; and that all spent fuel is removed from Seabrook Station by about 2045,[1] The aforementioned assumption that the Yucca Mountain facility is operating by 2015 is based on adding five years to the officially pronounced DOE schedule. The five-year Delay Contingency will continue to be used when calculating the schedules of payment for 2006. The continued well-publicized concerns about the ability of DOE to complete the Yucca facility, buttressed by the observations of the Committee's members who toured the facility, require that the Committee reconsider the current assumptions about the disposition of spent fuel in the 2006 annual review. Accordingly, in the 2006 submittal, the Managing Agent is directed to address the following questions:

- Is it still reasonable to make the schedule assumptions for Yucca Mountain described above? If not, what would be reasonable?
- Does FPL expect that Yucca Mountain will have the capacity to take receipt of Seabrook Station's spent fuel?
- What alternatives to disposal at Yucca Mountain are available to Seabrook Station?

In the 2006 Docket, the NDFC will decide if there should be any changes to the assumptions regarding Yucca Mountain's schedule and capacity. The resultant impact on decommissioning funding will be incorporated into the 2007 comprehensive update.

[1] Ibid. See also Figure 4.2 (Decommissioning Timeline)

FPLE, like many other nuclear operators, plans to construct an ISFSI to provide additional on-site HLRW storage capacity. In a change from past practice, FPLE is now planning the design and licensing of an ISFSI of sufficient size to store 100% of the full capacity of spent fuel from Seabrook Station. Exhibit No. 3. This planning includes storage of the additional spent fuel generated should the Plant's operating license be extended by the Nuclear Regulatory Commission.

The NDFC will examine the planning for a Seabrook Station ISFSI as part of the 2006 annual review. This should provide enough time for the NDFC to complete its review before FPLE begins work on the Seabrook Station decommissioning study that will be considered as part of the 2007 four-year review. In Docket 2006-1, the cost of expanding the ISFSI and of additional dry cask storage units will be reviewed, along with the timing of expected expenditures will be reviewed to determine which costs should be considered as part of a decommissioning plan, and which are operating costs of the station. Also, in 2006 the NDFC will examine the ISFSI expansion design in order to determine the appropriate costs to be included in nuclear decommissioning planning, and whether plans for educating the public are appropriate to avoid undue public safety concerns. While the NDFC members are familiar with dry cask storage technology from the 2003 four-year review, as well as the design and operation of an ISFSI, this knowledge may not be widely understood by the public. The history of Seabrook Station clearly demonstrates the value of public understanding and acceptance of change at the station, especially ones that raise safety concerns for some living near the plant. Clearly, the responsibility for safety at Seabrook Station rests with the NRC, and the NDFC will avoid jurisdictional conflicts with the federal government. At the same time, the Committee is willing to assist in avoiding misperceptions concerning decommissioning activities.

Accordingly, the 2006 annual review will examine ways to improve public awareness about dry cask storage and the Seabrook Station ISFSI.

The other approved contingency was in the cost calculation for LLRW. There has been no significant change in the cost of LLRW disposal or in the vendors used to process that disposal, and Seabrook Station has not been advised of any impending changes. Exhibit No. 3. Due to the uncertainty of LLRW disposal options after the contract with the Barnwell facility expires in 2008, FPLE is planning for expanded LLRW storage at Seabrook Station. Exhibit No. 3; TR. at 19. Without any significant changes in the cost of LLRW disposal, the LLRW contingency is sufficient to moderate the impact of an unforeseen cost increase, and the Committee finds there is no need to adjust the LLRW contingency before the next 4-year review in 2007.

B. <u>Funding Date</u>

The Committee must establish the funding date for which the schedule of payments is designed. The funding date is the day on which contributions into the Decommissioning Trust may end because the NDFC believes "the fund shall have sufficient monies to complete decommissioning" on the schedule approved by the NDFC. RSA 162-F:14, V. In NDFC Docket 2003-1, the Committee established the funding date as October 2026, corresponding to the termination of the Seabrook Station operating license. The parties recommend no change to the funding date, and the NDFC agrees. The Committee will examine the funding date in each annual review, and expects the funding date will remain unchanged until the next 4-year review in 2007.

C. <u>Earnings and Inflation Assumptions: Escalation Adjustment</u>

The parties recommend that the NDFC continue to use the earnings and inflation assumptions and the escalation adjustment adopted in NDFC Docket 2003-1. Exhibit No.

2, Sections 3.12. The reasons for adopting each assumption and escalation adjustment are fully detailed in the Final Report and Order, NDFC Docket 2003-1, and will not be repeated here. The post-shutdown earnings assumptions are discussed in a separate section.

FPLE and MMWEC advised the Committee that they will increase their investments in equity funds in future years. These adjustments will affect the calculations of annual contributions on the schedule of payments because of the higher assumed earning rate for equity investments in the Decommissioning Trust as compared to cash and fixed income investments. The intended adjustments in equity investments will be made in compliance with the Investment Guidelines approved by the State Treasurer.

The NDFC determines the payments into the Decommissioning Trust and into the funding assurance escrow to ensure all decommissioning costs are adequate to accomplish prompt decommissioning of Seabrook Station. The Investment Guidelines establish limits for the investments of monies held in the Decommissioning Trust. In turn, the investment elections made by Seabrook Station Owners are factored into the model used by Prime Buchholz to calculate the schedule of payments.

The NDFC sets the schedule of payments based on the judgment of the NDFC Members, and does not adopt projected payment requirements by adopting figures provided by a computer model. Rather, the Prime Buchholz model incorporates the decisions of the Committee, including payment requirements based on factors other than established investment strategies. The NDFC will monitor investment performance as part of the annual review of fund performance. At the same time, the NDFC may calculate the schedule of payments assuming investment strategies that differ from actual investment parameters permitted by the Investment Guidelines, should the Committee believe that is appropriate to ensure full funding of the decommissioning costs.

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

- 3% inflation
- 4.5% escalation
- set forth in the following chart for investment earnings assumptions..

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

D. December Reset

In NDFC Docket 2002-2, the NDFC began the practice of basing the schedule of payments beginning on January 1 of the following year, using a November 30 actual Fund balance adjusted to estimate the end-of-year balance as closely as possible. In NDFC Docket 2004-1, the year-end calculation was further refined. This approach permits the most accurate year-end estimate of the Decommissioning Trust and funding assurance escrow balances when setting contribution requirements for the following year. Among the parties, this has come to be known as "the December reset." The NDFC will continue this practice and consistent with prior orders, the calculation of the 2006 funding schedules will be based on the Decommissioning Trust and funding assurance escrow balances as of November 30, 2005, plus the December contribution to the funding assurance escrow, plus estimated earnings for December on both the Decommissioning Trust and funding assurance escrow balances, minus the estimated expenses applicable to both. The annual funding obligation will be determined when the 2006 schedule of payments is produced at the time of the December reset.

E. Premature Cessation of Operation

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

F. FPLE Funding Assurances

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

In NDFC Docket 2002-2, the NDFC established funding assurance requirements for FPLE, which included a guaranty by its indirect parent company, FPL Group Capital, Inc., which in turn is backed by a guaranty by the holding company, FPL Group, Inc. The NDFC monitors the strength of all funding assurances to determine whether any of the "triggers" established in NDFC Docket 2002-2, which would result in immediate payments by FPLE, are likely to be activated. The Committee is satisfied that the financial health of FPL Group, Inc. and its utility subsidiary, FPL, remains strong. Exhibit No. 7. Similarly, Seabrook Station continues to perform better than the industry averages. Exhibit 1, Attachment B (Tables 1, 2, and 3). Based on the record, the NDFC holds that the existing FPLE funding assurances will remain in place until next reviewed by the NDFC, and finds the funding assurances are adequate to meet FPLE's obligations, even in the event of a premature cessation of operation.

G. Escrow Funding Assurance

In NDFC Docket 2003-1, the Committee established a funding assurance escrow into which all Seabrook Station owners deposit 25% of their annual schedule of payments obligation. NDFC Docket 2003-1, Final Report and Order. The first payments were made into the funding assurance escrow in October 2004. In 2007, the Committee will determine how much, if any, of the funding assurance escrow will be returned to Seabrook Station owners. NDFC Docket 2003-1, Final Report and Order. In NDFC Docket 2003-1, the Committee noted that one consideration in determining whether the release of escrow funds will be released to the owners or transferred to the Fund in 2007 is whether or not the ratio of the balance of the Decommissioning Trust Fund to the projected cost of decommissioning falls below 57%. In NDFC Docket 2004-1, this benchmark was adjusted to 55.5%. NDFC Docket 2004-1, Final Report and Order at 12. This ratio will be calculated by dividing the December 31, 2007 Trust Fund balance by the December 31, 2006 decommissioning cost projection. The ultimate determination of the distribution of the funding assurance escrow will be made solely by the NDFC, and while guided by the considerations set out in Orders of the Committee, including achieving the Fund balance to target cost percentage of 55.5% or obtaining NRC approval of recapture of the low-power testing time period, the NDFC has complete discretion to decide what portion of the escrow, if any, is returned to the Seabrook Station owners and what portion, if any, is deposited in the Decommissioning Trust. The funding assurance Escrow Agreement, Exhibit No. 2, and testimony of the Seabrook Station owners confirms their agreement that the Committee has sole discretion over distributions from the funding assurance escrow.

The parties urge the NDFC to adjust the escrow payment obligation from a percentage of the annual obligation, to an amount equal to $6.0 million, minus the total 2006 payments into the Decommissioning Trust. Exhibit No. 2, Section 10.9, page 15. Without this change, the amount of the escrow payment would be dramatically reduced, if the NDFC sets a 2006 schedule of payments based on the requested revised post-shutdown investment and the effect of increased equity investments, as discussed elsewhere. The parties stipulated that, absent an adjustment, the escrow would receive approximately $950,000 in 2006 (Exhibit No. 2 at 5), and the combined payments to the Decommissioning Trust and the funding assurance escrow would total approximately $3.8 million. As proposed, the funding assurance escrow would receive approximately $3.2 million in 2006 and the total 2006 payments will be $6.0 million. Ibid.

When the funding assurance escrow was established, the NDFC assumed continuation of the investment strategy then in use, including during the post-shutdown period. Also, the NDFC required that 75% of the total annual schedule of payments would be paid into the Decommissioning Trust, with the remaining 25% deposited in the funding assurance escrow. The Escrow Agreement recognizes that the annual contribution will be set by the NDFC. NDFC Docket 2003-1, Order No. 4, Attachment 1, page 4. See also: NDFC Docket 2003-1, Final Report and Order at 43.

The NDFC will continue requiring the contribution of 75% of the schedule of payments be paid into the Decommissioning Trust. The funding assurance escrow is a vehicle to ensure full funding of decommissioning costs, while providing a means to mitigate the risks of over-funding. Further, the Committee accepts the recommendation of the parties that the 2006 funding assurance escrow contribution will equal $6.0 million, minus the 2006 payments into the Decommissioning Trust. Attachment G to Exhibit No. 2.

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

H. <u>Post-Shutdown Earning Assumptions</u>

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

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

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

The Committee adopts the recommendations of the parties with some modification. The Committee adopts the coverage ratio methodology as a benchmark for measuring when equity investments would be included in the earnings assumptions post-shutdown. The NDFC will measure the coverage ratio as the amount held as cash, cash equivalents, and high-quality fixed income instruments, compared with the total expenses to be paid from the Decommissioning Trust in the following year. The estimated annual expenditures will include all decommissioning costs as well as all taxes and fees. The Committee will look to the Investment Guidelines as approved by the State Treasurer for guidance on acceptable investment instruments, but the NDFC will set the schedule of payments using the earnings assumptions accepted by the Committee. These may include investment assumptions, including types of investments, that differ from those actually used by the owners or that may be more conservative than the Investment Guidelines. This approach is consistent with preserving the independent roles of the NDFC and the State Treasurer, with the former directing the level of contributions and expenditures and the latter setting acceptable investment parameters.

Until changed by the NDFC, the schedule of payments will include post-shutdown investment assumptions for each Seabrook Owner that include investing up to 25% in equity securities, 25% in high-quality fixed income instruments, and the remainder in cash and cash equivalents. The NDFC will use a coverage ratio of not less than 3.3 times the decommissioning costs in the following year as a benchmark for assuring sufficient liquidity to complete prompt decommissioning. The NDFC will measure the coverage ratio as the amount held as cash, cash equivalents, and high-quality fixed income instruments, compared with the total expenses to be paid from the Decommissioning Trust in the following year, regardless of whether the expenses are for management of the trusts or actual decommissioning activities. The coverage ratios in the following chart are excerpted from the Stipulation of the Parties (Exhibit No. 3) and are acceptable.

The following chart presents the likely coverage ratios.

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

The minimum coverage ratio for each of these years will continue to be 3.3 until adjusted by the Committee.

I. <u>2006 Filing Requirement & 2007 Comprehensive Review</u>

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

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

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

The decommissioning study should be developed with set assumptions to minimize the need for revisions and adjustments, and approximately six months is needed for that task. FPLE's foresight is appropriate and appreciated. The NDFC is prepared to accommodate the requests by providing direction on the identified areas. Regarding Seabrook Station's license recapture application, the NDFC recognizes that license life would be extended to 2030 if the NRC approves the application. Mr. Peschel testified that FPLE continues to anticipate NRC final action on the application by March or April 2006. Since there is no certainty for when the NRC may act, in 2007 the Committee will accept for review a decommissioning plan premised on a termination of the operating license in either 2026, or a later date that is approved by the NRC prior to the filing of the 2007 annual report. To avoid confusion and future cost adjustments, the NDFC directs that the decommissioning study be prepared for submission to the NDFC on February 1, 2007, with costs stated in January 2007 dollars.

V. CONCLUSION

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

Based on the foregoing, it is hereby

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

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

FURTHER ORDERED, that the schedule of payments for 2006 will be established in December 2005 using the assumptions and terms identified in this Preliminary Report and Order as recalculated using the Decommissioning Trust and funding assurance escrow account market values as of November 30, 2005, plus the escrow account contributions scheduled to be made in December 2005, plus the estimated earnings assumptions for December 2005 approved in NDFC Docket 2004-1, minus the December 2005 estimated expenses approved in NDFC Docket 2004-1; and it is

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

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

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

FURTHER ORDERED, that FPLE is to file the 2006 annual report no later than April 1, 2006. The 2006 annual report is to include all information previously required by the NDFC in annual updates and detail on the Decommissioning Trust performance through February 2006; and it is

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FURTHER ORDERED, that FPLE shall file with the Committee, on or before December 22, 2005, revised schedules of payments and funding assurance schedules conforming to the requirements of this Report and Order; and it is

Agreed by the Nuclear Decommissioning Financing Committee this the 6th day of December 2005.

/S/	/S/
Thomas B. Getz Chairman Public Utilities Comm.	Rep. Robert E. Introne State Representative
/S/	
Michael A. Ablowich State Treasurer	Bob Odell State Senator
	/S/
Scott Bryer Department of Safety	Willard F. Boyle Representative of the Town of Seabrook
/S/	/S/
Jack Ruderman Governor's Office of Energy & Planning	Brook Dupee Assistant Director Health & Human Services