



March 29, 2001
RC-01-0068

Document Control Desk
U. S. Nuclear Regulatory Commission
Washington, DC 20555

Gentlemen:

Subject: VIRGIL C. SUMMER NUCLEAR STATION
DOCKET NO. 50/395
OPERATING LICENSE NO. NPF-12
REPORT OF STATUS OF DECOMMISSIONING FUNDING (RR-1950)

South Carolina Electric and Gas Company (SCE&G) and the South Carolina Public Service Authority (Santee Cooper) have ownership interests of two-thirds and one-third respectively in the V. C. Summer Nuclear Station (VCSNS). As provided in 10 CFR 50.75(f)(1), SCE&G is required to report to the Nuclear Regulatory Commission (NRC), by March 31, 1999, and every two years thereafter, on the status of its decommissioning funding for its share of ownership of VCSNS. Santee Cooper has informed us that it will disclose the required information relative to its one-third ownership share in a separate submittal.

The following information is submitted pursuant to the requirement of 10 CFR 50.75(f)(1):

The amount of decommissioning funds estimated to be required pursuant to 10 CFR 50.75 (b) and (c);

The amount of decommissioning funds estimated to be required pursuant to 10 CFR 50.75 (b) and (c) for SCE&G's two-thirds ownership of VCSNS is \$199,699,733 (2000 dollars). Please see Attachment I for the calculation of this amount.

The amount accumulated at the end of the calendar year preceding the date of the report;

The trust fund balance as of December 31, 2000 was \$45,750,602. The trust fund balance includes cash and cash surrender values of life insurance policies held by the Trust. The face amount of life insurance policies in force as of December 31, 2000 was \$241,217,513. Please refer to Attachment II for more information. Please note that approximately \$5.2 million of the \$45,750,602 is for items not included in 10 CFR 50.75(b) and (c).

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NUCLEAR EXCELLENCE, A SUMMER TRADITION

A schedule of the annual amounts remaining to be collected;

Please see Attachment II for a schedule of the annual amounts remaining to be collected. Please note that approximately 11.3% of the collection amounts shown in this schedule are for items not included in 10 CFR 50.75 (b) and (c) determined as follows:

Site specific study (1991) estimate of decommissioning costs pursuant to NRC definition (two-thirds portion)	\$118,256,667
Customer collection basis (two-thirds portion)	133,333,333
Percent related to items not included in NRC definition	11.31%

The assumptions used regarding escalation in decommissioning cost, rates of earnings on decommissioning funds, and rates of other factors used in funding projections;

Please see Attachment II for the assumptions used regarding escalation in decommissioning cost, rates of earnings on decommissioning funds, and other assumptions used in funding projections.

Any contracts upon which the licensee is relying pursuant to paragraph (e)(1)(v) of this section;

None

Any modifications occurring to a licensee's current method of providing financial assurance since the last submitted report;

None

Any material changes to trust agreements.

None since filing on March 31, 1999.

If you have any questions, please call Mr. Chris Crowley at (803) 345-4409.

Very truly yours,



Stephen A. Byrne
Vice President Nuclear
Operations, SCE&G



Mark R. Cannon
Controller, SCE&G

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c: N. O. Lorick
N. S. Carns
M. R. Cannon
T. G. Eppink
R. J. White
L. A. Reyes
NRC Resident Inspector

K. R. Cotton
K. Sutton
INPO Records Center
RTS (RR 1950)
File (810.34)
DMS (RC-01-0068)

**ATTACHMENT I
CALCULATION OF AMOUNT OF DECOMMISSIONING
FUNDS ESTIMATED TO BE REQUIRED
PURSUANT TO 10 CFR 50.75 (B) AND (C);**

Base Amount for PWR between 1,200 MWt and 3,400 MWt

$$\begin{aligned} \text{1986 Base Cost} &= \$ (75 + 0.0088p) \text{ million} \\ &= \$ (75 + 0.0088 \times 2900) \text{ million} \\ &= \$100,520,000 \end{aligned}$$

$$\begin{aligned} \text{Estimated Cost (Year X)} &= (1986 \$ \text{ Base Cost}) (AL_X + BE_X + CB_X) \\ \text{Estimated Cost 2000} &= (\$100,520,000) \{ (.65 \times 1.677) + (.13 \times 1.205) + (.22 \times 7.878) \} \\ &= \$299,549,600 \end{aligned}$$

$$\text{SCE\&G's two-thirds ownership share of 2000 Estimated Cost} = \underline{\underline{\$199,699,733}}$$

Where:

$$\begin{aligned} p &= 2,900 \text{ MWt} \\ A &= .65 \quad (\text{NUREG 1307 Rev. 9}) \\ B &= .13 \quad (\text{NUREG 1307 Rev. 9}) \\ C &= .22 \quad (\text{NUREG 1307 Rev. 9}) \\ L_X &= 1.677 \quad (\text{Computed Below}) \\ E_X &= 1.205 \quad (\text{Computed Below}) \\ P_X &= 1.161 \quad (\text{Computed Below}) \\ F_X &= 1.265 \quad (\text{Computed Below}) \\ B_X &= 7.878 \quad (\text{NUREG 1307 Rev. 9}) \\ \\ L_X &= (148.6)_{\text{Base 1989}} \times (1.441)_{\text{Scaling Factor}} / (127.7)_{\text{Base 1981}} \\ &= 1.677 \\ \\ P_X &= 12/00 \text{ Value} / \text{January 1986 Value} \\ &= 132.6 / 114.2 \\ &= 1.161 \\ \\ F_X &= 12/00 \text{ Value} / \text{January 1986 Value} \\ &= 103.7 / 82.0 \\ &= 1.265 \\ \\ E_X &= \{ (.58P_X) + (.42F_X) \} \\ &= \{ (.58 \times 1.161) + (.42 \times 1.265) \} \\ &= 1.205 \end{aligned}$$

December 31, 2000 values in the following Bureau of Labor Statistics indices were used to compute NRC minimum requirements:

Employment Cost Index – South Region	(Series ID: ecu13202I)
Producer Price Index – Commodities	(Series ID: wpu0543)
Producer Price Index – Commodities	(Series ID: wpu0573)

ATTACHMENT II
EXPLANATION OF FINANCIAL ASSURANCE
MECHANISM AND AMOUNTS
REMAINING TO BE COLLECTED

Financial Assurance Mechanism

SCE&G is the operator of VCSNS and shares the operating costs and energy output of the plant with Santee Cooper in the proportions of two-thirds and one-third, respectively. SCE&G utilizes a program referred to as the Cost of Money Reduction Plan (COMReP) for funding its share of the costs of decommissioning VCSNS. Under this plan, funds collected through rates are used to purchase life insurance policies on key company personnel who, in return for being a qualified participant in the plan, receive a two-year salary continuation benefit from SCE&G. SCE&G has established a decommissioning trust fund (trust fund) with First Union National Bank as Trustee. SCE&G and the trust fund are beneficiaries of the life insurance policies. COMReP, Inc. of Omaha, Nebraska, formerly Financial Marketing Services, Inc., is the servicing agent for the life insurance policies. Through the purchase of life insurance contracts, SCE&G and the trust fund are able to take advantage of income tax provisions that allow SCE&G to accrue earnings on the life insurance contracts on a tax deferred basis. In a letter dated July 13, 1989, the NRC indicated that the COMReP program satisfies the investment criteria of its financial assurance regulations. Further, this funding methodology has been approved by the South Carolina Public Service Commission (PSC).

Amounts collected through electric rates for decommissioning are transferred by SCE&G to the trust fund in compliance with the financial assurance requirements of the NRC. The value of the policies compounds on a tax deferred basis. Upon the death of insured personnel, the policy proceeds are remitted tax free. The trust fund receives the cash surrender value and SCE&G receives the death benefit component in order to recover its term premium and salary continuation payments, if applicable.

In our June 1993 rate case, the PSC approved gross annual collections for decommissioning in the amount of \$3,224,920, based upon costs estimates contained in a 1991 site specific study. The amount approved was supported by a COMReP model which incorporated the proposed annual collections and projected cash flows generated by the COMReP program based upon plan assumptions including specific rates of return. The schedule on the following page incorporates annual amounts remaining to be collected and amounts expended for decommissioning based upon the following assumptions.

- The assumed rate of return is 7.0536%.
- The assumed escalation rate applied to decommissioning cost estimates is 3%.
- Decommissioning cost payments by year are based upon the spread of costs in the 2000 site specific study (DECON estimate).
- Expenditures from and contributions to the fund are levelized.
- Earnings are credited to the fund at the end of each year.

	External Trust Beginning Balance	Annual Collection Amounts	Annual Payments For Decommissioning	Earnings	External Trust Ending Balance
2001	45,750,602	1,991,388	0	3,297,297	51,039,287
2002	51,039,287	1,991,388	0	3,670,339	56,701,014
2003	56,701,014	1,991,388	0	4,069,695	62,762,097
2004	62,762,097	1,991,388	0	4,497,220	69,250,705
2005	69,250,705	1,991,388	0	4,954,900	76,196,993
2006	76,196,993	1,991,388	0	5,444,863	83,633,244
2007	83,633,244	1,991,388	0	5,969,387	91,594,019
2008	91,594,019	1,991,388	0	6,530,908	100,116,315
2009	100,116,315	1,991,388	0	7,132,037	109,239,740
2010	109,239,740	1,991,388	0	7,775,567	119,006,695
2011	119,006,695	1,991,388	0	8,464,489	129,462,572
2012	129,462,572	1,991,388	0	9,202,004	140,655,964
2013	140,655,964	1,991,388	0	9,991,541	152,638,893
2014	152,638,893	1,991,388	0	10,836,769	165,467,050
2015	165,467,050	1,991,388	0	11,741,616	179,200,054
2016	179,200,054	1,991,388	0	12,710,287	193,901,729
2017	193,901,729	1,991,388	0	13,747,285	209,640,402
2018	209,640,402	1,991,388	0	14,857,428	226,489,218
2019	226,489,218	1,991,388	0	16,045,876	244,526,482
2020	244,526,482	1,991,388	0	17,318,152	263,836,022
2021	263,836,022	1,991,388	0	18,680,170	284,507,580
2022	284,507,580	1,991,388	-22,787,576	19,334,587	283,045,979
2023	283,045,979	0	-63,169,114	17,737,083	237,613,948
2024	237,613,948	0	-54,902,622	14,824,032	197,535,358
2025	197,535,358	0	-54,152,654	12,023,498	155,406,202
2026	155,406,202	0	-54,310,904	9,046,295	110,141,593
2027	110,141,593	0	-55,975,876	5,794,790	59,960,507
2028	59,960,507	0	-45,026,991	2,641,362	17,574,878
2029	17,574,878	0	-20,903,549	502,435	-2,826,236
2030	-2,826,236	0	-27,180,488	-1,157,953	-31,164,677
2031	-31,164,677	0	-2,145,789	-2,273,909	-35,584,375
2032	-35,584,375	0	-2,216,219	-2,588,141	-40,388,735
2033	-40,388,735	0	-2,276,468	-2,929,146	-45,594,349
2034	-45,594,349	0	-2,344,762	-3,298,738	-51,237,849
2034	-51,237,849	0	-2,415,104	-3,699,289	-57,352,242
2036	-57,352,242	0	-2,494,374	-4,133,369	-63,979,985
2037	-63,979,985	0	-22,811,019	-5,317,391	-92,108,395

It should be noted that the above analysis appropriately reflects contributions to the trust on an after-tax basis (i.e., taxes are accrued on the \$3,224,920 annual collections prior to their deposit). The rate of return incorporated in the analysis is derived from the COMReP model supporting PSC approved collections for decommissioning discussed earlier. Further, while this rate of return appropriately reflects the tax-deferral aspects of the life insurance contracts, the analysis does not consider the effects of presumed tax deductibility of decommissioning payments in the years in which such payments are made. Were this tax deductibility considered in the above model, the cash flows would be more than adequate.

Although the above funding analysis, based on the NRC formula-based cost estimate and a DECON (immediate decommissioning) methodology, indicates a cash flow shortfall, SCE&G has instead adopted a deferred decommissioning (SAFSTOR) methodology based on a site-specific study completed in 2000. Under the SAFSTOR methodology, which methodology has been accepted by the NRC, the site will be maintained over a period of approximately 60 years in such a manner as to allow for subsequent decontamination that permits release for unrestricted use in 2084. Projected cash flows generated under the COMReP program are more than adequate to fund our decommissioning costs under this methodology.

Lastly, similar to that filed and accepted in connection with our 1999 report of status, we have enclosed a current certificate of insurance evidencing our coverage for decontamination and decommissioning liabilities.



NEIL

Nuclear Electric Insurance Limited Suite 1200
1201 Market Street
Wilmington, DE 19801
U.S.A.

Tel
302 888-3000
Fax
302 888-3007 Corporate
302 573-2213 Finance
302 888-3008 Insurance
302 888-3095 Loss Control

CERTIFICATE OF INSURANCE

ISSUED TO: United States NRC

ADDRESS: Washington, DC 20555
Attn: Sam Collins
Director of Nuclear Reactor Regulation

THIS IS TO CERTIFY that insurance has been effected with NUCLEAR ELECTRIC INSURANCE LIMITED, 1201 Market Street, Suite 1200, Wilmington, Delaware 19801, under Policy No. X01-052 as follows:

MEMBER INSURED: SOUTH CAROLINA ELECTRIC AND GAS COMPANY

ADDRESS: P.O. Box 764
Columbia, SC 29218

PROPERTY INSURED: Summer Nuclear Station

COVERAGE: Decontamination Liability, Decommissioning Liability, and Excess Property Insurance

AMOUNT OF INSURANCE: \$1,500,000,000

INSUREDS: South Carolina Electric and Gas Company, South Carolina Public Service Authority, and First Union National Bank

POLICY TERM: 12:01 a.m. on April 1, 2001 to 12:01 a.m. on April 1, 2002, Standard time in Hamilton, Bermuda.

LOSS PAYEE CLAUSE: A. Expenses covered under the Nuclear Liability Coverage (paragraph V.1(a)) shall be adjusted with the Member Insured and payable to:

South Carolina Electric and Gas Company
The Member Insured may, by written notice to the Insurer, designate other payees.

B. The expenses covered under the Debris Removal and Decontamination Coverage (paragraph V.1(b)), the losses covered under the Property Damage Coverage (paragraph V.1(c)), and the losses covered under the Functional Total Loss Coverage (paragraph V.2(a)) shall be adjusted with the Member Insured and payable to:

South Carolina Electric and Gas Company

The Member Insured may, by written notice to the Insurer, designate other payees.

C. Expenses covered under the Decommissioning Liability Coverage (subsection VI.1) shall be adjusted with the Member Insured and payable to:

South Carolina Electric and Gas Nuclear Decommissioning Trust and
South Carolina Public Service Authority Nuclear Decommissioning
Internal Fund

The Member Insured may, by written notice to the Insurer, designate other payees.

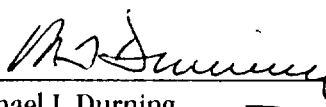
This Certificate is not transferable and may be canceled by NUCLEAR ELECTRIC INSURANCE COMPANY by giving 60 days written notice to the party to whom this Certificate is issued prior to cancellation of the insurance described herein, unless specifically provided for otherwise under the Terms, Conditions and Exceptions of the Policy.

THIS CERTIFICATE is for information only; it is not a contract of insurance but attests that a policy as numbered herein, and as it stands at the date of this Certificate, has been issued by the Company. Said policy is subject to change by endorsement and cancellation in accordance with its terms.

EFFECTIVE DATE OF THIS CERTIFICATE: April 1, 2001

CERTIFICATE EXPIRES: April 1, 2002, unless canceled sooner.

Signed by:
NUCLEAR ELECTRIC INSURANCE LIMITED



Michael J. Durning
Vice President - Underwriting