

May 11, 2001

Mr. John McGaha, President
Entergy Operations, Inc.
P.O. Box 31995
Jackson, Mississippi 39286-1995

Dear Mr. McGaha:

Thank you for your letter of March 26, 2001, informing us of a recent decision by the Arkansas Public Service Commission (APSC) regarding the amount of decommissioning funds that APSC has allowed to be collected for Arkansas Nuclear One, Units 1 and 2 (ANO 1 and ANO 2, respectively), in rates charged to electricity consumers.

You indicate that, based upon an assumption by the APSC that the license renewal application filed for ANO 1 pursuant to 10 CFR Part 54 is likely to be approved by the NRC, the APSC has determined that ANO 1 and ANO 2 will be operated into the renewed license term. As a result, using its current assumptions regarding decommissioning trust fund earnings and decommissioning cost escalation, the APSC has apparently concluded that the ANO decommissioning trusts would be overfunded if ANO 1 and ANO 2 operate for several years past their original 40-year licensed life and if decommissioning funds collections from ratepayers were not ceased immediately. You indicate that the APSC issued an order on October 3, 2000, that collections from ratepayers for decommissioning funds for ANO 1 and ANO 2 should end as of January 1, 2001. You also indicate that decommissioning collections were, in fact, stopped as of that date. You further state that based on the APSC action, the Louisiana Public Service Commission may take similar actions for the River Bend Station and Waterford 3 Nuclear Station. You request guidance from the NRC on whether the elimination of collections for decommissioning trust funding based on an assumed life extension (where there is no license renewal) is consistent with NRC requirements for decommissioning funding assurance.

The NRC expects that decommissioning funding assurance will be provided such that the necessary funds will be available by the end of the licensed operating life, based on the current license term. Section 50.75 (e)(1)(ii) of the Commission's regulations provides that payments to an external sinking fund are to be made such that "the total amount of funds would be sufficient to pay decommissioning costs at the time termination of operation is expected." The NRC interprets this section of its regulations to require that the accumulation of decommissioning funds in an external sinking fund be based on the remaining term of the license. Thus, if the NRC issues an operating license for a nuclear power plant for a term of 40 years, the decommissioning funds collection and earnings period should be based on that 40-year license term. Decommissioning fund collection can be based on a renewed license (e.g., 60 years) only after the NRC has approved the license renewal. Issuance of a renewed license is subject to a favorable review by the NRC and cannot be taken for granted. According to our present schedule, we expect to reach a decision about whether to grant license renewal for ANO 1 early this Summer. No application for renewal has been filed for ANO 2.

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If you have any further questions on this matter, please contact Robert Wood at (301) 415-1255.

Sincerely,

/RA/

Richard A. Meserve

cc: Chairman Sandra L. Hochstetter, APSC
Chairman James M. Field, LPSC

May 11, 2001

Sandra L. Hochstetter, Chairman
Arkansas Public Service Commission
1000 Center Building
Little Rock, Arkansas 72201

Dear Chairman Hochstetter:

On March 26, 2001, Mr. John McGaha, President of Entergy Operations, Inc., informed the Commission of an October 3, 2000, order issued by the Arkansas Public Service Commission (APSC). According to Mr. McGaha, the APSC ordered the collection of decommissioning funds for Arkansas Units 1 and 2 be terminated as of January 1, 2001. Mr. McGaha requested NRC guidance on whether the elimination of collections for decommissioning trust funding based on an assumed life extension (that is, where the application for license renewal has not been acted on) is consistent with NRC requirements for decommissioning funding assurance. Enclosed for your information is the Commission's response.

If you have any questions please contact Robert Wood, Senior Licensee Financial Policy Advisor, at 301/415-1255.

Sincerely,

/RA/

Richard A. Meserve

Enclosure: As stated

May 11, 2001

James M. Field, Chairman
Louisiana Public Service Commission
P.O. Box 91154
Baton Rouge, Louisiana 91154

Dear Chairman Field:

On March 26, 2001, Mr. John McGaha, President of Entergy Operations, Inc., informed the Commission of an October 3, 2000, order issued by the Arkansas Public Service Commission (APSC). According to Mr. McGaha, the APSC ordered the collection of decommissioning funds for Arkansas Units 1 and 2 be terminated as of January 1, 2001. Mr. McGaha requested NRC guidance on whether the elimination of collections for decommissioning trust funding based on an assumed life extension (that is, where the application for license renewal has not been acted on) is consistent with NRC requirements for decommissioning funding assurance. Because Mr. McGaha informed us that the Louisiana Public Service Commission (LPSC) may take similar actions for the River Bend Station and Waterford 3 Nuclear Station based on the APSC action, I have enclosed the Commission's response for your information.

If you have any questions, please contact Robert Wood, Senior Licensee Financial Policy Advisor at (301) 415-1255.

Sincerely,

/RA/

Richard A. Meserve

Enclosure: As stated