



Entergy Nuclear Operations, Inc.
Entergy Nuclear Indian Point 2, LLC
440 Hamilton Avenue
White Plains, NY 10601-5029

June 8, 2001

Re: Indian Point Unit No. 1 & 2
Docket Nos. 50-003 and 50-247

Document Control Desk
US Nuclear Regulatory Commission
Mail Station P1-137
Washington, DC 20555-0001

Subject: Response to June 5, 2001 Letter
Indian Point Nuclear Generating Unit Nos. 1 and 2
Transfer of Facility Operating License (TAC Nos. MB0743 and MB0744)

In a June 5, 2001 letter from John A. Zwolinski, Director, Division of Licensing Project Management, Office of Nuclear Reactor Regulation, to John F. Groth, Senior Vice President, Nuclear Operations, Consolidated Edison Company and Michael R. Kansler, Senior Vice President and Chief Operating Officer, Entergy Nuclear Operations, Inc., it was stated that the Response to Supplement to Request for Additional Information ("Response") received by the Commission on May 30, 2001 may not have adequately addressed the Commission's decommissioning fund requirements. During a discussion among representatives of Entergy Nuclear Operations, Consolidated Edison and NRC staff on June 5, 2001, the staff indicated a disagreement with the methodology used to derive the minimum funding for Indian Point 2. The staff also pointed out a computation error in the Indian Point 1 minimum funding calculation.

With regard to the Indian Point 2 calculation, the decommissioning funding calculation submitted with our Response accounted for the period during which Indian Point 2 was licensed at 2,758 Mwt (16 years, five months) and the period during which it was licensed at 3,071 Mwt (11 years, one month through the first quarter of 2001). The staff's position was that NRC regulations do not expressly allow this method of calculating the minimum funding amount. We continue to believe that this approach is consistent with the NRC's formula for calculating the minimum amount, which utilizes plant size as a component of the 1986 base cost calculation. We also note that the NRC recognized during the development of the scaling and escalation formulae that plant size affected cost, and a scaling factor to take plant size into account was developed for use in the formula. (See NUREG/CR-0672, Addendum 3, Parts 5.1, 5.2, and Appendix B).

AP01

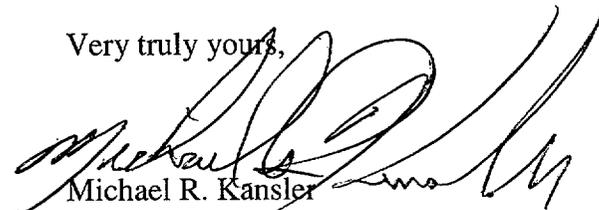
However, in order to address the staff's concerns over this calculation, the minimum decommissioning funding amount has been recalculated based solely on the current licensed power rating. Attached is a Revised Response which contains revised minimum funding calculations on pages 14, 15 & 16. Revisions have also been made to pages 12 & 14 to reflect the increase in the amount that will be provided through a provisional trust or surety. The calculation of the NRC's minimum funding amount for Indian Point 1 on page 15 has also been revised to correct the calculation error.

An additional Exhibit, 1A, has been added to supply information requested by Dan Collins pursuant to a telephone conference on June 6, 2001.

The information in Exhibits 1, 1A, 2 and 3 to the Revised Response is requested to be withheld from public disclosure pursuant to 10 CFR 2.790 (a)(4) and 10 CFR 9.17 (a)(4). The Affidavit in support of this request is attached to this letter. A redacted version of the response with the proprietary information removed is included as Attachment 3.

If you have any questions, please contact Ms. Connie Wells, Senior Manager, Business Development at Entergy Nuclear (914) 272-3206.

Very truly yours,



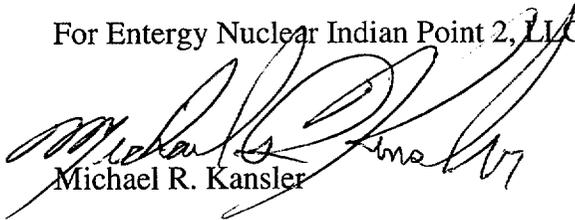
Michael R. Kansler
Senior Vice President and
Chief Operating Officer

MRK/kgb

Enclosures

- Oath of Michael R. Kansler
- Attachment 1 Affidavit of Michael R. Kansler
- Attachment 2 Non-Redacted Revised Response
- Attachment 3 Redacted Revised Response

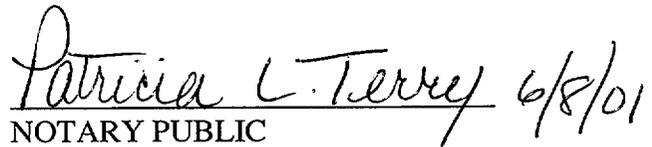
For Entergy Nuclear Indian Point 2, LLC and Entergy Nuclear Operations, Inc:


Michael R. Kansler

Date 6/8/01

State of New York)
County of Westchester)

Then personally appeared before me, Michael R. Kansler, who being duly sworn, did state that he is Senior Vice President and Chief Operating Officer of Entergy Nuclear Indian Point 2, LLC (Entergy Nuclear IP2) and Entergy Nuclear Operations, Inc. (ENO) and that he is duly authorized to execute and file the submittal contained herein in the name and on behalf of ENIP2 and ENO and that the statements attributable to Entergy Nuclear IP2 or ENO are true to the best of his knowledge and belief.


NOTARY PUBLIC

My Commission Expires:
Jan. 27, 2002

PATRICIA L. TERRY
Notary Public, State of New York
No. 4991258
Qualified in Westchester County
Commission Expires Jan. 27, 2002

C. Mr. Hubert J. Miller
Regional Administrator-Region I
US Nuclear Regulatory Commission
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Mr. Pat Milano, Project Manager
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Senior Resident Inspector
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Ms. Connie Wells
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Mr. John McCann
Manager, Nuclear Safety and Licensing
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Attachment 1

AFFIDAVIT

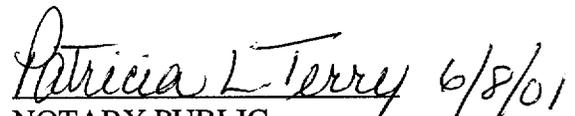
I, Michael R. Kansler, Senior Vice President and Chief Operating Officer of Entergy Nuclear Indian Point 2, LLC (Entergy Nuclear IP2), and Entergy Nuclear Operations, Inc. (ENO), do hereby affirm and state:

1. Entergy Nuclear IP2 and ENO are providing information in response to a May 4, 2001 Supplement to Request for Additional Information in connection with the proposed license transfer and conforming amendments (IP1 Docket No. 50-003 and IP2 Docket No. 50-247). The information being provided in Exhibits 1, 2, and 3 to the Response contain Entergy Nuclear IP2 and ENO's financial projections related to the operation of IP2 and the commercial terms of a unique transaction. These documents constitute proprietary commercial and financial information that should be held in confidence by the NRC pursuant to 10 CFR 9.17(a)(4) and the policy reflected in 10 CFR 2.790, because:
 - a. This information is and has been held in confidence by Entergy Nuclear IP2 and ENO.
 - b. This information is of a type that is held in confidence by Entergy Nuclear IP2 and ENO and there is a rational basis for doing so because the information contains sensitive financial information concerning Entergy Nuclear IP2 and ENO's projected revenues and operating expenses.
 - c. This information is being transmitted to the NRC in confidence,
 - d. This information is not available in public sources and could not be gathered readily from other publicly available information.
 - e. Public disclosure of this information would create substantial harm to the competitive position of Entergy Nuclear IP2 and ENO by disclosing Entergy Nuclear IP2 and ENO's internal financial projections and the commercial terms of a unique transaction to other parties whose commercial interests may be adverse to those of Entergy Nuclear IP2 and ENO.
2. Accordingly, Entergy Nuclear IP2 and ENO request that the designate documents be withheld from public disclosure pursuant to 10 CFR 2.790(a)(4) and 10 CFR 9.17(a)(4).


Michael R. Kansler
Date 6/8/01

State of New York
(Westchester County)

Then personally appeared before me, Michael R. Kansler, who being duly sworn, did state he is Senior Vice President and Chief Operating Officer of Entergy Nuclear Indian Point 2, LLC and Entergy Nuclear Operations, Inc., that he is duly authorized to execute and file this affidavit in the name and on behalf of Entergy Nuclear Indian Point 2, LLC and Entergy Nuclear Operations, Inc., and that the statements are true to the best of his knowledge and belief.


NOTARY PUBLIC

My Commission Expires:
Jan. 27, 2002

PATRICIA L. TERRY
Notary Public, State of New York
No. 4991258
Qualified in Westchester County
Commission Expires Jan. 27, 2002

Exhibit 4

NON-PROPRIETARY VERSION

Exhibit 4

GEORGE W. DAVIS

George W. Davis is the former President and Chief Operating Officer of Boston Edison Company. He served at Edison from 1989 until his retirement in September 1995, filling in succession the positions of Senior Vice President, Nuclear for the Pilgrim Nuclear Power Station and Executive Vice President for the operations of the Company's generating, transmission and distribution systems. Davis was a member of the Company's Board of Directors and the Board of Directors of the Institute of Nuclear Power Operations (INPO). He also served as Chairman of the Executive Committee of the New England Power Pool. Boston Edison is a 4000 employee electric utility with operations in Boston, Massachusetts and surrounding communities.

Prior to joining Edison, Davis served for 34 years in the U. S. Navy, including 25 years of close association with the Navy's nuclear power program. This association involved the operations, maintenance and testing of Navy nuclear propulsion plants, training of nuclear plant operators and supervision of nuclear powered ships at sea. His duty assignments included Commanding Officer of four Navy ships, Deputy Commander for Logistics for NATO forces in southern Europe and Deputy Commander Naval Sea Systems Command for Surface Ship Acquisition and Repair. He concluded his Navy career as the commander of the surface fleet in the Pacific at the rank of Vice Admiral.

Currently, Davis serves on the University of Chicago's Board of Governors for the Argonne National Laboratory and on the Board's Scientific and Technical Advisory Committee. He is the Chairman of the Secretary of the Navy's Board of Advisors to the Superintendent of the Naval Postgraduate School and of the National Nuclear Accrediting Board, an organization responsible for ensuring the training programs for the nation's commercial nuclear power plants meet the industry's standards. Within the electric power industry, Davis is a member of Carolina Power and Light Company's Nuclear Oversight Committee, an advisor to PECO Energy Company's Nuclear Committee of the Board of Directors and Chairman, Nuclear Committee Advisory Team to the Northeast Utility's Board of Trustees.

Davis is a graduate of the United States Naval Academy and holds a Masters of Science degree in Electrical Engineering from the Naval Postgraduate School in Monterey, California.

He is currently a resident of Plymouth, Massachusetts.

Attachment 3

NON-PROPRIETARY INFORMATION

NON-PROPRIETARY INFORMATION

REVISED RESPONSE TO SUPPLEMENT TO REQUEST FOR ADDITIONAL INFORMATION REGARDING LICENSE TRANSFER APPLICATION INDIAN POINT NUCLEAR GENERATING UNIT NOS. 1 AND 2 DOCKET NOS. 50-003 AND 50-247

Entergy Nuclear Indian Point 2, LLC (Entergy Nuclear IP2) and Entergy Nuclear Operations, Inc. (ENO) respond to the May 4th Supplement to Request for Additional Information as follows:

1. Request: In a request for additional information (RAI) dated March 1, 2001, the NRC requested justification for Entergy Nuclear IP2's use of an 85 percent capacity factor in its financial projections provided in the application in light of a historical average of about 66 percent for the years 1994-1999. In a response dated April 16, 2001, Entergy Nuclear IP2 and ENO stated, "The historical IP2 capacity factor is unlikely to represent future performance. Entergy is an experienced nuclear operator with a corporate commitment to maintaining and improving its core competency in nuclear operations. Entergy has been increasing the scale of its nuclear operations, in part based upon its significant successful experience in improving the operation of nuclear power stations. Under Entergy management, the operations of Indian Point 2 (IP2) would be expected to improve to a level approximating Entergy's performance unless there was a technological (e.g., design basis) or operational (e.g., environmental) restriction which prevented the improvement." Entergy Nuclear IP2 and ENO further stated that, recent capital improvements made by Con Edison would enable it to achieve the assumed 85 percent capacity factor. Additionally, the response indicated that low capacity factors in 1995 and 1997 were the result of lengthy refueling outages.

The staff assumes that the term “Entergy” in this response refers essentially to subsidiaries of Entergy Corporation other than Entergy Nuclear IP2 and ENO, which have little or no history. Provide specific information regarding the intended management practices, which Entergy Corporation subsidiary licensees have applied successfully at other facilities, that Entergy Nuclear IP2 and ENO intend to apply at IP2 to achieve the assumed performance improvement. Provide any other reasons why the record and/or experience of other Entergy Corporation subsidiaries owning and operating other plants, but which are not the proposed transferees for IP2, are relevant to establishing a basis for the expected factor for IP2.

Response: Even though Entergy Nuclear IP2 and ENO are relatively new companies, key management personnel in these companies have served with Entergy Corporation subsidiaries and have extensive experience with and knowledge of Entergy programs, procedures, philosophies, management styles, and expectations. We expect IP2 to improve performance and increase capacity over its historical capacity factors as a result of (1) improved material condition from recent capital improvements made by ConEd, (2) the incorporation of management practices which have been successful at other plants operated by Entergy, and (3) the infusion of key managers with experience at Entergy operated plants. This response addresses the specific management practices and other factors that we believe will improve IP2’s performance and capacity factor to a level consistent with other plants operated by Entergy. The response contains: (1) A brief description of the organization of Entergy’s nuclear operating companies; (2) the management practices and organizational changes which we expect to result in increased capacity factor; and

(3) Improvements in information technology systems that are expected to facilitate process improvements that could affect the capacity factor of IP2.

ORGANIZATION OF ENTERGY'S NUCLEAR OPERATING COMPANIES

Entergy Operations, Inc. (EOI) was formed to serve as the operator of Entergy's nuclear plants and began operating ANO, Units 1 & 2, Grand Gulf, and Waterford 3 in 1990. In December 1993, Entergy Corporation merged with Gulf States Utilities, Inc. and EOI became the licensed operator of River Bend. EOI's organizational structure includes a Chief Nuclear Officer, Jerry Yelverton, who is responsible for nuclear operations at the plants operated by EOI. Each of these plants has a Site Vice President who reports to the Chief Operating Officer of EOI, who in turn reports to Mr. Yelverton, the CNO and CEO of EOI. Certain support functions are provided by Entergy Services, Inc. (ESI) from ESI's corporate headquarters in New Orleans. EOI's headquarters are located in Jackson, Mississippi where certain centralized functions common to all EOI operated plants are headquartered. The plants operated by EOI are referred to as the Entergy Southwest plants.

Entergy Nuclear Operations, Inc. (ENO) currently operates the Indian Point 3 (IP3) and James A. FitzPatrick (JAF) plants, and is the proposed operator of IP2. Pilgrim Nuclear Station is currently operated by Entergy Nuclear Generation Company. IP3, JAF, Pilgrim and, ultimately, IP2, comprise the Entergy Northeast plants. They are organized in a manner similar to the Southwest organization, with the Site Vice President reporting to a Chief Operating Officer who reports to the same Chief Executive Officer and Chief Nuclear Officer,

Jerry Yelverton, as the Southwest plants. Certain support functions will be provided by ENO through its corporate headquarters in White Plains, New York.

MANAGEMENT PRACTICES AND ORGANIZATIONAL CHANGES

Realignment of non-core business functions. Certain business functions of IP2 will be realigned in a manner consistent with the organizational structure of the Entergy Southwest plants (River Bend, Grand Gulf, Waterford 3 and ANO 1 and 2). The Materials, Security, Training, Human Resources, Business Services, Information Technology and Oversight/ Quality Assurance functions will report to ENO's corporate headquarters in White Plains, New York. This organizational structure, which has proven to be successful for Entergy plants operated by EOI, will allow plant management to focus exclusively on plant operations.

Establishment of Senior Vice-President for the entire Indian Point site. A Senior Vice-President who will report to the Chief Operating Officer of ENO will oversee the entire Indian Point site and will have overall responsibility for Units 1, 2 and 3. The individual units will continue to have Site Vice-Presidents who will report to the Senior Vice-President for Indian Point. This is similar to the organization that has been successful at Entergy's only two-unit site, Arkansas Nuclear One Units 1 & 2. Having one senior executive with oversight of the successful coordination of support functions that are common to both units is expected to enhance the performance of both IP2 and IP3. The individual chosen for the position, Lee Olivier, was previously the Senior Vice-President and Chief Operating Officer for Millstone Units 1, 2 and 3. Mr. Olivier has experience managing a multi-unit site and

oversaw the Millstone recovery effort.

Periodic reviews by Entergy Corporation's Board of Directors Nuclear Committee. The operation and performance of IP2 will be reviewed on a regular (approximately five times per year) basis by the Entergy Nuclear Committee, which is chaired by Admiral George Davis. Admiral Davis' resume is attached. The Entergy Nuclear Committee has a unique understanding of nuclear operations and resource requirements. The committee reviews the performance of all Entergy's nuclear plants and provides summaries to the Entergy Board of Directors, which includes the Chief Nuclear Officer for all of the Entergy sites. This review will help to ensure that the best practices from Entergy's other plants and the industry are being incorporated and utilized at IP2.

Integration of EOI management into ENO management. Certain key management personnel with experience at plants operated by EOI have accepted jobs or are expected to accept jobs with ENO, bringing with them the practices and expectations which have been successful at other Entergy plants. A few of these management moves have already taken place: Michael Kansler, the Chief Operating Officer of ENO was previously the Vice President of Operations Support for Entergy Operations, Inc.; Dan Pace, Vice President, Engineering - Northeast previously held positions of Director, Design Engineering at River Bend and Plant Manager at Grand Gulf; Dan Ropson, the Director of Engineering, White Plains Office, previously held positions of Manager, Business Development and Manager for Dry Fuel Storage at ANO; Terry Weir, the Director of Materials and Security for ENO was previously the Manager of Materials, Purchasing, and Contracts at ANO; Kevin Gardner, the Director of Human Resources was previously the Director of Human Resources for Entergy

Operations, Inc.; Susan Warbington, the Director Finance - Northeast and Jerry Head, the Manager, Nuclear Engineering Analysis - Northeast both have extensive backgrounds with Entergy operations and philosophies; Larry Temple, who is performing site integration activities for ENO on a project basis, was previously the Director, Operations Support for EOI, and most recently served as Director of Decommissioning activities at Millstone Unit 1 for Entergy Nuclear, Inc.; and Ted Sullivan, the Site Vice President at James A. FitzPatrick was Site Vice President at Pilgrim until October 2000.

Use of Entergy peer groups. IP2 management and employees will participate in Entergy peer groups that have representatives from all the Entergy Southwest and Entergy Northeast plants. The peer groups meet regularly to discuss and, where appropriate, recommend the incorporation of industry best practices throughout the Entergy system. The peer groups currently in use include Operations, Outage, Maintenance, System Engineering, Low Level Radioactive Waste, Environmental, Emergency Planning, Radiation Protection, Industrial Safety, Licensing, Corrective Action/Assessment, Financial, and a General Managers peer group

Enhancement of outage performance through incorporation of the Entergy model. The Entergy model for outage activity includes 13 standardized business practices covering all outage activities. Those practices are: pre-outage milestones, outage organization, report cards and performance indicators, contingency planning, long range planning, outage ready workforce, in-sourcing, budget development, shutdown operations protection plan, outage staffing control, outage preparation plan, outage scope change, and work management screening. With approximately 18 months from the anticipated closing until IP2's first outage,

the program should be fully implemented at IP2 by its next outage. This program has resulted in significantly reduced outage times at plants operated by EOI, ENO and Entergy Nuclear Generation Company (ENGC, the operator of Pilgrim). ANO completed its most recent outage in twenty-two days; Grand Gulf’s last outage lasted twenty-one days; and Waterford 3 completed its outage in thirty-five days, which broke the previous record for an outage that included steam generator cleaning. Pilgrim just concluded a twenty-eight day outage and IP3 just completed its best ever outage in twenty-six days. Both Pilgrim and IP3 are utilizing key aspects of the Entergy outage model and have benefited from the assistance of employees from the Entergy Southwest plants during their current outages.

The duration of scheduled outages directly impacts a plant’s capacity factor. All of the plants operated by Entergy (EOI, ENO and ENGC) have shown improvement in the length of their scheduled outages over the last several years as the table below demonstrates:

Outage Duration (Days)								
Year	ANO-1	ANO-2	GGNS	RB	W3	Pilgrim	JAF	IP3
1990	97		58	66			85.7	
1991		57			73	106		
1992	70	45	52	180	52		378.8	110
1993	42		66			57		
1994		43		82	49		116	
1995	46	58	68		43	73		
1996	42		41	39			47.7	
1997		31		39	*108	65		119
1998	43		40				65.6	
1999	29	47	48	40	42	59		40
2000		*84		35	35		38.2	
2001	22		21			28		26

* ANO-2’s eighty-four day outage included steam generator replacement.

* Waterford-3’s 108-day outage included planned activities to address long standing regulatory and plant technical issues.

The capacity factors of Entergy plants have improved along with the improvement in outage duration, as shown by the tables below:

ANO-1		ANO-2		GRAND GULF		JAF	
Year	Capacity Factor (%)	Year	Capacity Factor (%)	Year	Capacity Factor (%)	Year	Capacity Factor (%)
	Annual		Annual		Annual		Annual
1991	89.31	1991	81.47	1991	91.15	1991	49.4
1992	79.43	1992	73.04	1992	81.39	1992	0
1993	83.66	1993	97.72	1993	78.88	1993	69.5
1994	98.3	1994	89.47	1994	96.03	1994	73.4
1995	81.63	1995	75.76	1995	77.32	1995	70.7
1996	85.61	1996	93.73	1996	89.38	1996	78.6
1997	99.01	1997	92.56	1997	102.91	1997	94.7
1998	84.89	1998	91.5	1998	87.43	1998	73.2
1999	91.69	1999	82.85	1999	79.91	1999	93.5
2000	87.29	2000	69.86	2000	100.79	2000	84.6
10yr Avg	88.082	10yr Avg	84.796	10yr Avg	88.519	10yr Avg	68.76
5yr Avg	89.698	5yr Avg	86.1	5yr Avg	92.084	5yr Avg	84.92

RIVER BEND		WATERFORD 3		INDIAN POINT 3		PILGRIM	
Year	Capacity Factor (%)	Year	Capacity Factor (%)	Year	Capacity Factor (%)	Year	Capacity Factor (%)
	Annual		Annual		Annual		Annual
1991	81.56	1991	77.25	1991	86.4	1991	58.4
1992	33.6	1992	80.72	1992	56.2	1992	80.6
1993	64.13	1993	97.05	1993	14.1	1993	74
1994	59.59	1994	84.23	1994	0	1994	65.2
1995	96.72	1995	82.44	1995	17.4	1995	76.4
1996	83.44	1996	94.54	1996	69.3	1996	90.5
1997	83.21	1997	71.37	1997	51.3	1997	73.4
1998	95.54	1998	91.54	1998	90.58	1998	97
1999	69.58	1999	79.02	1999	86	1999	76.2
2000	89.43	2000	89.78	2000	99.48	2000	93.7
10yr Avg	75.68	10yr Avg	84.794	10yr Avg	57.076	10yr Avg	78.54
5yr Avg	84.24	5yr Avg	85.25	5yr Avg	79.332	5yr Avg	86.16

Implementation of chief attributes of River Bend performance improvement

plans. ENO will be utilizing some of the key attributes of the performance improvement plan developed by EOI when it took over operation of River Bend Station to improve the performance of IP2.

EOI began operating the River Bend station in January of 1994 when Gulf States Utilities, Inc. was merged with Entergy Corporation. Prior to taking over the operation of River Bend, critical assessments of areas important to reliability, safety and performance were performed by EOI and by an outside consultant. A "Near Term Performance Improvement Plan" (NTPIP) and a "Long Term Performance Improvement Plan" (LTPIP) were developed and implemented. The NTPIP addressed areas such as material condition, management expectations, ownership and teamwork, improving work control, plant modifications, strategic planning, work practices, effective corrective action, human performance effectiveness and engineering support. The LTPIP addressed areas such as outage management, leadership and management, change management, problem identification and root cause evaluation, closure of problems, oversight of problem-solving systems, work control, materials management, modifications, procedures, engineering support, radiological protection, plant chemistry, licensing and regulatory affairs, security, training, quality assurance, human performance effectiveness, and preventive and predictive maintenance. Strategies were developed for implementation of the performance plans (the LTPIP was implemented from 1994-1996) with specific objectives and performance measures. In the three years prior to operation by EOI, River Bend's annual capacity factor averaged 59.76. Under EOI's management, River Bend's capacity factor improved to an average capacity factor of 83.7

percent during the first five years of operation by EOI. Excluding 1994, the first year of operation by EOI, which included an 82-day outage for material repair and replacement, the average capacity factor during this period would have been 89.73.

IP2's current business practices are undergoing internal and external assessments. These assessments will examine current business and management practices of IP2, compare them with the practices used at Entergy operated plants, and make recommendations for changes to existing management practices to align them with similar practices utilized at other Entergy plants. The improvement in annual capacity factors seen at River Bend after EOI became the operator is expected at IP2. However, unlike River Bend, which required significant material improvement after the plant was acquired by Entergy, IP2 will have improved in material condition before ENO takes over operations. Thus, the improvement in capacity factor at IP2 should be more immediate than at River Bend.

IMPROVEMENT IN INFORMATION TECHNOLOGY SYSTEMS

In our April 16, 2001 response to the staff's Request for Additional Information, we described material condition improvements made by ConEd over the last few years that we expect to improve IP2's capacity factor. In addition to the material condition improvements made by ConEd, Entergy Nuclear IP2 is making an investment of approximately \$4.5 million to improve the information technology systems at IP2 and to make them compatible with other Entergy systems. Concurrent with and shortly after closing, data from the ConEd mainframe will be removed and integrated with existing Entergy applications. New material management,

work management, document management, and CAD drawing systems will be installed, along with remote access capability, as part of the upgrade. In addition, the current radio infrastructure will be replaced with a new radio system and radios. These improvements are expected to significantly improve reliability and performance.

Conclusion: The average annual capacity factor assumed in our financial projections is consistent with the industry's recent experience and with our experience at plants operated by Entergy companies. We believe the assumption is reasonable and will be obtained through, among other factors, reduced outage duration; incorporation of industry and Entergy best practices; infusion of key management talent; and improved material condition and information technology systems.

2. Request: The NRC staff notes that, assuming that closing of the sale were to occur in June 2001, the financial projections provided through 2005 do not cover a full 5-year period. Provide financial projections, including revenue, operating and maintenance expenses, and balance sheet, into 2006 to complete the first full 5-year operating period.

Response: Financial projections through 2006 are included as Exhibits 1, 2, and 3.

3. Request: In its March 1 RAI, the NRC requested that applicants provide a copy of the detailed decommissioning funding calculations (based on NUREG-1307, Revision 9 and including assumptions used), which demonstrate that the proposed \$430 million decommissioning fund transfer will meet the requirements of 10 CFR 50.75 for both IP1 and IP2. Neither the April 12 or 16, 2001, RAI responses provided the requested calculations. However, in the April 16 response Entergy Nuclear IP2 and ENO did state that the

calculations assumed a “period of cost escalation and earnings growth through the end of license of IP3 (December 2015),” and provided a brief description of the calculations performed in terms of the inflation rate assumed and the calculation results. The requirements of 10 CFR 50.75(a)(1)(i) specifically state that financial assurance for decommissioning by prepayment be “such that the amount of funds would be sufficient to pay decommissioning costs at the time termination of operation is expected.” The IP2 license is currently set to expire on September 28, 2013.

The IP1 decommissioning plan, which was accepted by the NRC in 1996, calls for the IP1 facility to be maintained in a safe storage condition until the adjacent IP2 unit is also decommissioned.

Therefore, the appropriate period for cost escalation and earnings growth in the decommissioning funding calculations for both IP1 and IP2 is only through the end of the third quarter of 2013. Demonstrate that the proposed \$430 million decommissioning fund transfer will meet the requirements of 10 CFR 50.75(e)(1)(i) at the time termination of IP2 operation is expected.

Response: Entergy Nuclear IP2 will either establish a Provisional Trust (“the Provisional Trust”) with assets of \$25 million, or obtain a surety bond for an amount up to \$25 million, at or by the closing of the sale of IP1 and IP2. The Provisional Trust and surety bond, whichever utilized, will be in a form acceptable to the NRC.

The Provisional Trust will provide that the trust may terminate and the funds held in the trust may be paid to Entergy Corp., its affiliates, subsidiaries, or assigns, upon the earlier date on which:

(1) The funds in the Decommissioning Trust established by Entergy Nuclear IP2 to hold the \$430 million in funds transferred from ConEd to Entergy Nuclear IP2 at closing (“the Decommissioning Trust”) satisfy the minimum amount required by NRC regulations for the decommissioning of IP1 and IP2 at the end of license of IP2; or

(2) The NRC, through order, regulation, letter, or other agency action, allows the funds in the Decommissioning Trust to satisfy the Commission’s requirements for adequate assurance of decommissioning funding for IP1 and IP2.

The funds in the trust will be segregated from Entergy Nuclear IP2's other assets and will be outside of its administrative controls. The Provisional Trust will provide that: (1) no funds may be disbursed from the trust funds, other than administrative expenses, without giving prior written notice to the Director, Office of Nuclear Reactor Regulation (NRR) of the NRC; (2) the funds will be invested in accordance with the “prudent investor” standard as specified in 18 CFR 35.32(a)(3) of the FERC’s regulations; (3) no material modifications will be made to the trust without the prior written consent of the Director, NRR; (4) investments in the securities or other obligations of Entergy Nuclear IP2 or ENO, or affiliates thereof, or any other entity owning one or more nuclear power plants, except for investments tied to market indices or non-nuclear sector mutual funds shall be prohibited; (5) no disbursements or payments may be made from the trust if the trustee receives prior written objection from the Director, NRR; and (6) use of the assets of the trust, in the first instance, shall be limited to expenses related to decommissioning IP1 and IP2 as defined by the NRC in its regulations and issuances, and as provided in the IP1 and IP2 licenses and amendments thereto.

The surety bond will have similar language allowing the bond to terminate upon the occurrence of the previously described conditions.

The funds in the Decommissioning Trust combined with the funds in the Provisional Trust or the amount of the surety bond will total \$455 million at the closing. As requested in the RAI, the table below demonstrates that this amount will meet the minimum funding requirements of 10 CFR 50.75 based on the calculations provided in NUREG-1307, Revision 9. This calculation assumes earnings growth only through the end of license of IP2.

	NRC Calculation	
	Min	Min-2%
	3.09%	5.09%
7/31/01	579.8	454.9
12/31/01	587.3	464.7
12/31/02	605.7	488.9
12/31/03	624.7	514.4
12/31/04	644.3	541.2
12/31/05	664.5	569.4
12/31/06	685.3	599.0
12/31/07	706.8	630.2
12/31/08	728.9	663.1
12/31/09	751.8	697.6
12/31/10	775.3	734.0
12/31/11	799.6	772.2
12/31/12	824.7	812.5
9/31/13	844.0	844.0

Decommissioning Waste Burial Costs Updated for BLS First Quarter - April 2001 Preliminary Numbers

In accordance with 10CFR50.75, the minimum decommissioning funds for Indian Point 1 (IP1) and Indian Point 2 (IP2) are determined as follows:

Indian Point 1*

MWt = 1200

$$\begin{aligned} \text{Base Cost (1986 Dollars)} &= 75 + 0.0088 * P \\ &= 75 + 0.0088 * 1200 \\ &= \mathbf{85.560} \end{aligned}$$

LLW Burial/Disposition Cost Adjustment (Vendor)
From NUREG-1307, Rev. 9, Table 2.1 **8.052**

Labor Adjustment Factor for the Northeast Region
From NUREG-1307, Rev. 9, Table 3.2
1st Q 2001 Bureau of Labor Statistics * Scaling Factor / 1986 Reference Value
= 151.6 * 1.555 / 130.5
= **1.806**

Energy Adjustment Factor associated with decommissioning a PWR
From NUREG-1307, Rev. 9, Section 3.2
Electric Power Factor = Preliminary April 2001 BLS Value / 1986 Reference Value

$$\begin{aligned} P_x &= 135 / 114.2 \\ &= 1.182 \end{aligned}$$

Light Fuel Oil Factor = Preliminary April 2001 BLS Value / 1986 Reference Value

$$\begin{aligned} F_x &= 84.7 / 82.0 \\ &= 1.033 \end{aligned}$$

$$\begin{aligned} \text{Energy Adjustment Factor (PWR)} &= 0.58 * P_x + 0.42 * F_x \\ &= 0.58 * 1.182 + 0.42 * 1.033 \\ &= \mathbf{1.119} \end{aligned}$$

Decommissioning Cost (2000 Dollars)

$$\begin{aligned} &= 1986 \$ \text{ Cost} * (A * L_x + B * E_x + C * B_x) \\ \text{where} & \quad A \text{ is the fraction of the 1986 \$ Cost attributable to Labor (0.65)} \\ & \quad B \text{ is the fraction of the 1986 \$ Cost attributable to Energy (0.13)} \\ & \quad C \text{ is the fraction of the 1986 \$ Cost attributable to Waste Burial (0.22)} \\ &= 85.56 * (1.174174 + 0.145531 + 1.77144) \end{aligned}$$

\$ 264.48 Million Dollars

* In accordance with 10CFR50.75(c)(1)(i) PWR reactors below 1200 MWt are to use this minimum value. IP 1 had a thermal power level of 615 MWt.

Indian Point 2

MWt = 3071

$$\begin{aligned} \text{Base Cost (1986 Dollars)} &= 75 + 0.0088 * P \\ &= 75 + 0.0088 * 3071 \\ &= \mathbf{102.025} \end{aligned}$$

LLW Burial/Disposition Cost Adjustment (Vendor)
From NUREG-1307, Rev. 9, Table 2.1 **8.052**

Labor Adjustment Factor for the Northeast Region
From NUREG-1307, Rev. 9, Table 3.2
1st Q 2001 Bureau of Labor Statistics * Scaling Factor / 1986 Reference Value

$$\begin{aligned} &= 151.6 * 1.555 / 130.5 \\ &= \mathbf{1.806} \end{aligned}$$

Energy Adjustment Factor associated with decommissioning a PWR
From NUREG-1307, Rev. 9, Section 3.2
Electric Power Factor = Preliminary April 2001 BLS Value / 1986 Reference Value

$$\begin{aligned} P_x &= 135 / 114.2 \\ &= 1.182 \end{aligned}$$

Light Fuel Oil Factor = Preliminary April 2001 BLS Value / 1986 Reference Value

$$\begin{aligned} F_x &= 84.7 / 82.0 \\ &= 1.033 \end{aligned}$$

Energy Adjustment Factor (PWR) = 0.58 * P_x + 0.42 * F_x

$$\begin{aligned} &= 0.58 * 1.182 + 0.42 * 1.033 \\ &= \mathbf{1.119} \end{aligned}$$

Decommissioning Cost (2000 Dollars)

$$= 1986 \$ \text{ Cost} * (A * L_x + B * E_x + C * B_x)$$

where A is the fraction of the 1986 \$ Cost attributable to Labor (0.65)

B is the fraction of the 1986 \$ Cost attributable to Energy (0.13)

C is the fraction of the 1986 \$ Cost attributable to Waste Burial (0.22)

$$= 102.0 * (1.174174 + 0.145531 + 1.77144)$$

\$ 315.37 Million Dollars

Total for both plants = IP1 + IP2

$$= \$ 264.48 + \$ 315.37 = \mathbf{\$ 579.85 \text{ Million Dollars}}$$

Exhibit 1

NON-PROPRIETARY INFORMATION

NON-PROPRIETARY VERSION

Exhibit 1

Projected Net Income

	(\$000s)					
	2001	2002	2003	2004	2005	2006
Power Sales - Contract						
Power Sales - Market						
Revenue						
<hr/>						
Operation & Maintenance						
O&M						
Outage						
Insurance						
Fuel						
DOE Charges						
Amortization						
Depreciation & Amortization						
Administrative & Other						
Administrative & General						
Benefits/Payroll Tax						
Ad Valorem Taxes						
Total Operating Expenses						
Total Operating Profit						
<hr/>						
Interest Expense						
Income Taxes						
Net Income/(Loss)						

Note: Assumes 07/01/01 Close

Six Months Fixed Operating Expenses (000's)

	2001	2002	2003	2004	2005	2006
Total Operating Expenses						
Fixed Operating Expenses (6 months)						

Note: Fixed operating expenses include capital expenditures, and exclude depreciation, fuel costs, refueling outage costs, and a certain percentage of contracts and outside services.

Exhibit 1A

NON-PROPRIETARY INFORMATION

NON-PROPRIETARY VERSION

Exhibit 1A

Assumptions used in 2006 Financial Projections

	2006
Revenue reported in response to NRC	\$
Assumed Net MDC	
Assumed All-in Price	\$
Assumed Capacity	84.6%
Generation	
	\$

Exhibit 2

NON-PROPRIETARY INFORMATION

NON-PROPRIETARY VERSION

Exhibit 2

Entergy Nuclear Indian Point 2, LLC Projected Financial Statement (earnings distributed)

	Projected Balance as of December 31 (\$000s)					
	2001	2002	2003	2004	2005	2006
ASSETS:						
Cash						
Accounts Receivable						
Fuel						
Inventory						
Land						
Net Plant						
Prepayments & Other						
Total Assets						
LIABILITIES:						
Accounts Payable						
Accum. Def. Income Taxes						
Accrued Pension Liability						
Unfavorable Fuel Contracts Liability						
Notes Payable						
Total Liabilities						
EQUITY:						
Common Stock						
Additional Paid-in-Capital						
Retained Earnings						
Total Equity						
Total Liabilities & Equity						

Exhibit 3

NON-PROPRIETARY INFORMATION

NON-PROPRIETARY VERSION

Exhibit 3

Entergy Nuclear Indian Point 2, LLC Projected Financial Statement (with all earnings retained)

	Projected Balance as of December 31 (\$000s)					
	2001	2002	2003	2004	2005	2006
ASSETS:						
Cash						
Accounts Receivable						
Fuel						
Inventory						
Land						
Net Plant						
Prepayments & Other						
Total Assets						
LIABILITIES:						
Accounts Payable						
Accum. Def. Income Taxes						
Accrued Pension Liability						
Unfavorable Fuel Contracts Liability						
Notes Payable						
Total Liabilities						
EQUITY:						
Common Stock						
Additional Paid-in-Capital						
Retained Earnings						
Total Equity						
Total Liabilities & Equity						

Exhibit 4

NON-PROPRIETARY VERSION

Exhibit 4

GEORGE W. DAVIS

George W. Davis is the former President and Chief Operating Officer of Boston Edison Company. He served at Edison from 1989 until his retirement in September 1995, filling in succession the positions of Senior Vice President, Nuclear for the Pilgrim Nuclear Power Station and Executive Vice President for the operations of the Company's generating, transmission and distribution systems. Davis was a member of the Company's Board of Directors and the Board of Directors of the Institute of Nuclear Power Operations (INPO). He also served as Chairman of the Executive Committee of the New England Power Pool. Boston Edison is a 4000 employee electric utility with operations in Boston, Massachusetts and surrounding communities.

Prior to joining Edison, Davis served for 34 years in the U. S. Navy, including 25 years of close association with the Navy's nuclear power program. This association involved the operations, maintenance and testing of Navy nuclear propulsion plants, training of nuclear plant operators and supervision of nuclear powered ships at sea. His duty assignments included Commanding Officer of four Navy ships, Deputy Commander for Logistics for NATO forces in southern Europe and Deputy Commander Naval Sea Systems Command for Surface Ship Acquisition and Repair. He concluded his Navy career as the commander of the surface fleet in the Pacific at the rank of Vice Admiral.

Currently, Davis serves on the University of Chicago's Board of Governors for the Argonne National Laboratory and on the Board's Scientific and Technical Advisory Committee. He is the Chairman of the Secretary of the Navy's Board of Advisors to the Superintendent of the Naval Postgraduate School and of the National Nuclear Accrediting Board, an organization responsible for ensuring the training programs for the nation's commercial nuclear power plants meet the industry's standards. Within the electric power industry, Davis is a member of Carolina Power and Light Company's Nuclear Oversight Committee, an advisor to PECO Energy Company's Nuclear Committee of the Board of Directors and Chairman, Nuclear Committee Advisory Team to the Northeast Utility's Board of Trustees.

Davis is a graduate of the United States Naval Academy and holds a Masters of Science degree in Electrical Engineering from the Naval Postgraduate School in Monterey, California.

He is currently a resident of Plymouth, Massachusetts.