

OFFICE OF THE SECRETARY  
CORRESPONDENCE CONTROL TICKET

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AUTHOR: SANDRA HOCHSTETTER  
AFFILIATION: AR  
ADDRESSEE: RICHARD MESERVE  
SUBJECT: ARKANSAS PUBLIC SERVICE COMMISSION'S POSITION RE FUNDING FOR THE  
DECOMMISSIONING OF ARK NUC ONE, UNIT 1 AND 2

ACTION: Signature of Chairman  
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LETTER DATE: 08/02/2001

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August 2, 2001

The Honorable Richard A. Meserve  
Chairman  
U.S. Nuclear Regulatory Commission  
Washington, D.C. 20555

Dear Chairman Meserve:

On March 26, 2001 Entergy Operations, Inc. President John McGaha wrote to you concerning the external sinking funds for decommissioning nuclear plants operated by Entergy. Two of the plants referred to are Arkansas Nuclear One (ANO) Unit 1 and Unit 2. The purpose of this letter is to clarify the Arkansas Public Service Commission's position regarding funding for the decommissioning of these units.

This Commission has not changed the vehicle for decommissioning funding. In 1987 the Commission approved Rider M26 as the funding vehicle for nuclear decommissioning costs to ensure that funds would be available at the termination of operation of ANO Unit 1 and Unit 2. Rider M26 is a unique rate mechanism designed specifically to recover the projected decommissioning costs for ANO Unit 1 and Unit 2. The Rider provides for updated cost projections every five years and annual updates of the financial model inputs including inflation factor, fund balances and earnings projections in an annual review of the status of decommissioning funding. Rider M26 remains an approved Entergy tariff and trust earnings continue to accumulate. The balance in the external trust funds totaled \$360 million as of December 2000. While collections are suspended for 2001, all other aspects of the tariff are effective. Annual filings continue as do the projected cost updates.

Our objective continues to be the assurance of funding at decommissioning. However, the risk of over-collection was an issue brought before the Commission. Testimony assessed the impact of not receiving license extensions and calculated the risk to ratepayers in terms of increased future annual revenue requirements. The risk of over-collection without timely refunds was clearly much greater than the increased future annual revenue requirements. A 20-year life extension was not necessary for the conclusion that revenue collection should be suspended. It was on the basis of this testimony that the Commission suspended collections under Rider M26 at this time with a specific provision for continued annual monitoring. Our order in no way prevents collection of decommissioning funds should it be determined in the future that such funds are required to decommission ANO.

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I hope this clarification is useful in explaining the specific facts in Arkansas serving as the basis for our ruling. If you have any questions or need clarification, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, reading "Sandra Hochstetter". The signature is written in a cursive style with a large, sweeping initial "S" and a long, horizontal flourish at the end.

Sandra Hochstetter  
Chairman