

YANKEE ATOMIC ELECTRIC COMPANY

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March 29, 2002
BYR 2002-007

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, DC 20555-0001

References: (a) License No. DPR-3 (Docket No. 50-29)

Subject: Decommissioning Funding Assurance - 10CFR50.75(f)

In accordance with 10CFR50.75(f), this letter provides information on the status of decommissioning funding for the Yankee Nuclear Power Station (YNPS). Attachment 1 provides the required information.

Yankee Atomic Electric Company (YAEC) filed an updated estimate of "to-go" decommissioning and spent fuel storage costs with the Federal Energy Regulatory Commission (FERC) on December 30, 1999 (docket no. ER00-983-000). That FERC filing was approved by the FERC effective March 2000 and estimated that the remaining ("to-go") cost to complete decommissioning, including spent fuel storage through 2020, would be \$246 million in constant value 1999 dollars. Based on that 1999 estimate, the projected total cost to complete decommissioning and spent fuel storage through 2020, including prior expenditures of \$207.1 million from 1993 – 1998, was approximately \$453.1 million.

On February 23, 2001,¹ the U.S. NRC issued Regulatory Issue Summary (RIS) 2001-07 which clarified the reporting requirements of 10 CFR 50.75(f)(1) regarding the status of decommissioning funding. This RIS instructed Licensees to either omit or list separately, the cost of non NRC-defined decommissioning activities, such as dismantling non-radiological systems and structures and the cost of managing and storing spent fuel on site. These non-radiological costs are not counted as part of the NRC's required decommissioning funding assurance.

Of the \$246 million (constant value 1999 dollars), \$98.3 million was for spent fuel storage and activities other than those specifically included in 10 CFR 50.75. As of December 31, 2001, withdrawal of trust funds for decommissioning and spent fuel storage expenses during the 1993 – 2001 time frame has amounted to approximately \$304.1 million (not escalated). The amount remaining in the trust as of

¹ NRC Regulatory Issue Summary 2001-07, 10 CFR 50.75(f)(1) Reports on the Status of Decommissioning Funds, dated February 23, 2001.

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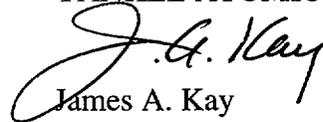
December 31, 2001 is \$114.1 million. Of this amount, approximately \$62.7 million is for activities other than those specifically included in 10 CFR 50.75.

The estimate assumes prompt removal/dismantling (DECON), and is based on an analysis of the YNPS systems, components and structures. The estimate is also based on the radioactive waste disposal options available to YAEC in 1999. This estimate also includes provisions for site restoration, and for storage of spent fuel and greater than class C (GTCC) wastes on the YNPS site until 2020. Adjustments to the cost estimate will be made as necessary as detailed work planning progresses and elements of the cost estimate are periodically reviewed and updated.

If you should have any questions, please contact me at (978) 568-2302.

Very truly yours,

YANKEE ATOMIC ELECTRIC COMPANY



James A. Kay
Manager of Regulatory affairs

Attachment

c: H.J. Miller, NRC Region I Administrator
J.B. Hickman, NRC Project Manager, NRR

Attachment 1
NRC Decommissioning Funding Status Report

Yankee Nuclear Power Station (YNPS)
(Status as of 12/31/2001)

The minimum decommissioning fund estimate pursuant to 10CFR50.75(b) \$ 266.3 million

The amount accumulated at the end of the calendar year preceding the date of the report for items included in 10CFR50.75(b) and (c) ⁽¹⁾ \$ 114.1 million

Schedule of the annual amounts remaining to be collected for items in 10CFR50.75(b) and (c) None ⁽²⁾

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

A 3.80% escalation rate was used for the 1999 FERC rate case. Earning rates, generated during the FERC case, are as follows: pre-tax (taxable) - 4.50-6.00%; pre-tax (tax-exempt) - 5.00%; and pre-tax equity - 10%. Other rate assumptions were: state tax rate, non-qualified trust - 6.5%; federal tax rate, qualified trust - 20%; and federal tax rate, non-qualified trust - 34%.

Any contracts upon which the licensee is relying pursuant to 10CFR50.75(e)(1)(ii)(c)?

The decommissioning of YNPS was funded through its Power Contracts which obligate the purchasers for the full cost of decommissioning YNPS including spent fuel storage and site restoration. The FERC orders received by YAEC acknowledge the continuing obligation of the purchasers with respect to the full cost of decommissioning YNPS.

⁽¹⁾ This market value balance includes amounts in the Trust for all decommissioning costs including site restoration and long term spent fuel storage as well as decommissioning as defined in 10CFR50.75.

⁽²⁾ The FERC approved collection period ended in June 2000. No further collections remain.

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

No modifications have been made to the current financial assurance method in this reporting period.

Any material changes to trust agreements?

No material changes have been made to trust agreements in this reporting period.