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Energy to Serve Your WorldSM

NL-03-0692

March 28, 2003

Docket Nos.: 50-348
50-364

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, D. C. 20555-0001

Joseph M. Farley Nuclear Plant
Financial Assurance Requirements for Decommissioning
Nuclear Power Reactors (10 CFR 50.75(f)(1))

Ladies and Gentlemen:

Pursuant to 10 CFR 50.75(f)(1), each power reactor licensee is required to report to the NRC the status of its decommissioning funding for each reactor or part of each reactor it owns on a calendar year basis, beginning on March 31, 1999, and every two years thereafter. Southern Nuclear Operating Company (Southern Nuclear) holds operating licenses NPF-2 and NPF-8 for the Joseph M. Farley Nuclear Plant owned by Alabama Power Company. Accordingly, Southern Nuclear provides the enclosed Alabama Power Company submittal in accordance with the requirements of 10 CFR 50.75(f)(1).

This letter contains no NRC commitments. If you have any questions, please advise.

Sincerely,

J. B. Beasley, Jr.

JBB/TWS/sdl

Enclosure:

cc: Southern Nuclear Operating Company
Mr. J. D. Woodard, Executive Vice President
Mr. D. E. Grissette, General Manager – Plant Farley
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U. S. Nuclear Regulatory Commission

Mr. L. A. Reyes, Regional Administrator

Mr. F. Rinaldi, NRR Project Manager – Farley

Mr. T. P. Johnson, Senior Resident Inspector – Farley

Alabama Power Company

Mr. W. B. Hutchins, III, Executive Vice President, CFO, and Treasurer

Mr. J. R. DeRieux, Asst. Treasurer and Gen. Manager., Corp. Finance and Planning

ENCLOSURE

J. Randy DeRieux
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February 20, 2003

Docket Nos. 50-348
 50-364



U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, D. C. 20555

Joseph M. Farley Nuclear Plant
Financial Assurance Requirements for Decommissioning Nuclear Power Reactors
(63 FR 50465 dated September 22, 1998)

Dear Ladies and Gentlemen:

As provided in 10 CFR 50.75(f)(1), each power reactor licensee is required to report to the NRC, on a calendar year basis, beginning on March 31, 1999, and every 2 years thereafter, on the status of its decommissioning funding for each reactor or part of reactor it owns.

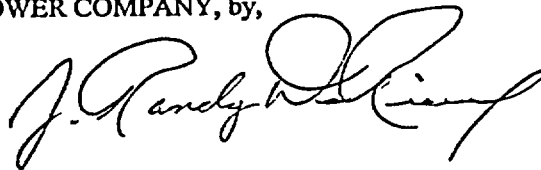
Alabama Power Company (APC), hereby submits the information for operating licenses NPF-2 and NPF-8 as requested in accordance with 10 CFR 50.75(f)(1) for the Joseph M. Farley Nuclear Plant. Southern Nuclear Operating Company, as the operating licensee and as agent for the owner of Plant Farley, will be forwarding this information to the NRC on behalf of APC.

Based on the information presented herein, there is reasonable assurance that the APC amount of the NRC prescribed minimum will be available to decommission Plant Farley, units 1 & 2 on the current expiration date of each unit's operating license as set forth in 10 CFR 50.75(c).

Should you have any questions concerning this matter, please call me.

Respectfully submitted,

ALABAMA POWER COMPANY, by,



JRD/jch
Enclosures

cc: Southern Nuclear Operating Company
Mr. D. N. Morey, Vice President - Plant Farley

U. S. Nuclear Regulatory Commission, Washington, D. C.
Mr. F. Rinaldi, Licensing Project Manager - Farley

U. S. Nuclear Regulatory Commission, Region II
Mr. L. A. Reyes, Regional Administrator
Mr. T. P. Johnson, Senior Resident Inspector - Farley

Enclosure

Alabama Power Company Ownership Percentage – 100%

	10 CFR 50.75(f)(1) Requirement	Unit 1	Unit 2
1.	The minimum decommissioning fund estimate, pursuant to 10 CFR 50.75 (b) and (c) ¹	\$331,363,000 ²	\$331,363,000 ²
2.	The amount accumulated at the end of the calendar year preceding the date of the report for items included in 10 CFR 50.75 (b) and (c).	\$155,972,246 ³	\$149,812,245 ³
3.	A schedule of the annual amounts remaining to be collected; for items in 10 CFR 50.75 (b) and (c).	See Schedule in Attachment 1	See Schedule in Attachment 2
4.	The assumptions used regarding: Rates of escalation in decommissioning cost <i>Informal Docket U-3295 Dated: 12/17/93</i> Rates of Earnings on decommissioning funds <i>Informal Docket U-3295 Dated: 12/17/93</i> Rates of other factors used in funding projections	4.5%	4.5%
		7.0%	7.0%
		N/A	N/A
5.	Any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(ii)(c)	N/A	N/A
6.	Any modifications to a licensee's current method providing financial assurance occurring since the last submitted report.	<i>No Modifications</i> External Sinking Fund "Cost of Service" Rate Making	
7.	Any material changes to trust agreements.	See Attachment 3	

¹ The NRC formulas in section 10CFR50.75(c) include only those decommissioning costs incurred by licensees to remove a facility or site safely from service and reduce residual radioactivity to levels that permit: (1) release of the property for unrestricted use and termination of the license; or (2) release of the property under restricted conditions and termination of the license. The cost of dismantling or demolishing non-radiological systems and structures is not included in the NRC decommissioning cost estimates. The costs of managing and storing spent fuel on site until transfer to DOE are not included in the cost formulas.

² This number is based on NUREG-1307, Rev. 8 for the Burial factor and the December 2001 values for the Labor and Energy factors.

³ December trust earnings are not reflected on the company's books, therefore, the December 2002 balances on this report will not agree to other financial disclosures of the company.

Attachment 1
Schedule of the Annual Amounts Remaining to be Collected

Alabama Power Company
Farley Nuclear Plant Unit 1

Year	Beginning Fund Balance	Fund Earnings	Fund Contributions	Ending Fund Balance	Minimum Decommissioning Fund Estimate
1999					
2000					
2001					\$331,363,000
2002				\$155,972,246	346,274,335
2003	\$155,972,246	\$10,918,057	\$10,269,707	177,160,010	361,856,680
2004	177,160,010	12,401,201	10,269,707	199,830,918	378,140,231
2005	199,830,918	13,988,164	10,269,707	224,088,789	395,156,541
2006	224,088,789	15,686,215	10,269,707	250,044,711	412,938,585
2007	250,044,711	17,503,130	10,269,707	277,817,548	431,520,822
2008	277,817,548	19,447,228	10,269,707	307,534,484	450,939,259
2009	307,534,484	21,527,414	10,269,707	339,331,604	471,231,525
2010	339,331,604	23,753,212	10,269,707	373,354,524	492,436,944
2011	373,354,524	26,134,817	10,269,707	409,759,047	514,596,606
2012	409,759,047	28,683,133	10,269,707	448,711,888	537,753,454
2013	448,711,888	31,409,832	10,269,707	490,391,427	561,952,359
2014	490,391,427	34,327,400	10,269,707	534,988,534	587,240,215
2015	534,988,534	37,449,197	10,269,707	582,707,438	613,666,025
2016	582,707,438	40,789,521	10,269,707	633,766,666	641,280,996
2017	633,766,666	44,363,667	0	678,130,332	670,138,641

Attachment 2

Schedule of the Annual Amounts Remaining to be Collected

**Alabama Power Company
Farley Nuclear Plant Unit 2**

Year	Beginning Fund Balance	Fund Earnings	Fund Contributions	Ending Fund Balance	Minimum Decommissioning Fund Estimate
1999					
2000					
2001					\$331,363,000
2002				\$149,812,245	346,274,335
2003	\$149,812,245	\$10,486,857	\$10,015,198	170,314,300	361,856,680
2004	170,314,300	11,922,001	10,015,198	192,251,499	378,140,231
2005	192,251,499	13,457,605	10,015,198	215,724,302	395,156,541
2006	215,724,302	15,100,701	10,015,198	240,840,201	412,938,585
2007	240,840,201	16,858,814	10,015,198	267,714,213	431,520,822
2008	267,714,213	18,739,995	10,015,198	296,469,406	450,939,259
2009	296,469,406	20,752,858	10,015,198	327,237,463	471,231,525
2010	327,237,463	22,906,622	10,015,198	360,159,283	492,436,944
2011	360,159,283	25,211,150	10,015,198	395,385,631	514,596,606
2012	395,385,631	27,676,994	10,015,198	433,077,823	537,753,454
2013	433,077,823	30,315,448	10,015,198	473,408,469	561,952,359
2014	473,408,469	33,138,593	0	506,547,062	587,240,215
2015	506,547,062	35,458,294	0	542,005,356	613,666,025
2016	542,005,356	37,940,375	0	579,945,731	641,280,996
2017	579,945,731	40,596,201	0	620,541,932	670,138,641
2018	620,541,932	43,437,935	0	663,979,867	700,294,880
2019	663,979,867	46,478,591	0	710,458,458	731,808,149
2020	710,458,458	49,732,092	0	760,190,550	764,739,516
2021	760,190,550	53,213,338	0	813,403,888	799,152,794

Attachment 3
Material Changes to Trust Agreement

- | | |
|----------------|--|
| June 1991 | Executed Nonqualified Master Nuclear Decommissioning Trust Agreement with First Alabama Bank, Mobile |
| February 1994 | Executed Investment Management Agreement with W. H. Reaves & Co. for the Nonqualified Master Nuclear Decommissioning Trust |
| February 1994 | Executed Investment Management Agreement with ANB Investment Management and Trust Company for the Nonqualified Master Nuclear Decommissioning Trust |
| February 1994 | Executed Investment Management Agreements with Loomis, Sayles & Company for the Nonqualified Master Nuclear Decommissioning Trust and the Qualified Master Nuclear Decommissioning Trust |
| December 1995 | Executed Investment Management Agreement with Flaherty & Crumrine, Inc. for the Nonqualified Master Nuclear Decommissioning Trust |
| November 1996 | Named Mellon Bank, N. A. successor trustee for the Nonqualified Master Nuclear Decommissioning Trust and the Qualified Master Nuclear Decommissioning Trust |
| March 1999 | Established Trust Owned Life Insurance with Allmerica Financial Life and Annuity Company indirectly through Vinings Management for the Nonqualified Master Nuclear Decommissioning Trust |
| July 1999 | Executed Investment Management Agreement with Northern Trust Company for the Qualified Master Nuclear Decommissioning Trust |
| July 1999 | Executed Investment Management Agreement with Rhumblin Advisers for the Qualified Master Nuclear Decommissioning Trust |
| August 1999 | Executed Investment Management Agreement with Barrow, Hanley, Mewhinney & Strauss, Inc. for the Qualified Master Nuclear Decommissioning Trust |
| July 2000 | Executed Investment Management Agreement with Castleark Management L.L.C. for the Qualified Master Nuclear Decommissioning Trust |
| September 2002 | Executed Investment Management Agreement with AmSouth Bank for the Qualified and Nonqualified Master Nuclear Decommissioning Trust |