



Tennessee Valley Authority, 1101 Market Street, Chattanooga, Tennessee 37402-2801

March 31, 2003

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

Gentlemen:

In the Matter of	)	Docket Nos.	50-259	50-327
Tennessee Valley Authority	)		50-260	50-328
			50-296	50-390

**TVA - DECOMMISSIONING FUNDING STATUS REPORT - BROWNS FERRY (BFN), SEQUOYAH (SQN), AND WATTS BAR (WBN) NUCLEAR PLANTS**

Pursuant to the requirements of 10 CFR 50.75(f)(1), TVA is required to report to the NRC on a calendar year basis, beginning on March 31, 1999, and every two years thereafter, on the status of its decommissioning funding for each reactor it owns. This report addresses the decommissioning funding status for BFN Units 1, 2, and 3; SQN Units 1 and 2; and WBN Unit 1. The reporting requirements and corresponding TVA information are provided below.

1. The minimum decommissioning fund estimate, pursuant to 10 CFR 50.75 (b) and (c).

Decommissioning cost estimates were calculated pursuant to the formulas in 10 CFR 50.75(c). Burial cost adjustment factors were taken from NUREG-1307 R10 for the "Non-Atlantic Compact, Direct Disposal with vendor" option. Bureau of Labor Statistics and Energy indices were taken from the web sites referenced by the NUREG at the end of the calendar year. The estimates in calendar year 2002 dollars are as follows:

<b>Decommissioning Cost Estimates (2002 End-of-Year Dollars, Millions)</b>			
<b>Plant</b>	<b>Units</b>	<b>Cost Per Unit</b>	<b>Total Plant Cost</b>
Browns Ferry	3	\$440.5	\$1,322
Sequoyah	2	\$356.7	\$714
Watts Bar	1	\$356.7	\$357

*Add: Michael Dusaniwskij*

2. The amount accumulated in the TVA Decommissioning Fund at the end of the calendar year 2002 for items included in 10 CFR 50.75 (b) and (c).

<b>Decommissioning Trust Fund</b> <b>(2002 End-of-Year Dollars, Millions)</b>		
<b>Plant</b>	<b>Units</b>	<b>Balance Per Plant</b>
Browns Ferry	3	\$360.7
Sequoyah	2	\$143.9
Watts Bar	1	\$35.5

3. A schedule of the annual amounts remaining to be collected for items in 10 CFR 50.75 (b) and (c).

TVA is considering several methods to provide additional funding assurance methods and is assessing the need for future action on an ongoing basis. Current fund balances have primarily been influenced by sizable declines in stock market performance as well as increases in projected decommissioning costs. Moderate market recovery along with the achievement of planned license renewal for BFN within the near term will restore overall funding adequacy. These factors will have a significant impact on the status of the fund and prudent planning obligates us to take them into account. However, TVA recognizes that in developing an appropriate funding strategy it must also take into account the need to provide additional financial assurance should these developments not take place in a timely manner. In doing so, TVA intends to maintain a reasoned balance between ensuring the near term adequacy of available decommissioning funds while avoiding the adverse consequences of over-funding, mindful that decommissioning funding obligations must be met over the long term when actual decommissioning activities will eventually take place.

4. The assumptions used regarding escalation in decommissioning cost, rates of earnings on decommissioning funds, and rates of other factors used in funding projections.
- The assumed escalation in decommissioning costs is 4%.
  - TVA assumed a projected annual real rate of return on decommissioning funds of 5%, as authorized by the TVA Board of Directors, TVA's rate-making authority. This rate is consistent with the long term historical investment return associated with U.S. equities.

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5. Any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(v).

None.

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

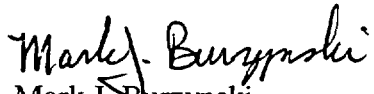
None.

7. Any material changes to trust agreements.

None.

If you have any questions regarding this response, please contact me at (423) 751-2508.

Sincerely,

  
Mark J. Burzynski  
Manager  
Nuclear Licensing

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