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March 28, 2003

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Mail Station OP1-17
Washington, DC 20555

**SUSQUEHANNA STEAM ELECTRIC STATION
DECOMMISSIONING REPORT OF
FINANCIAL ASSURANCE**

Docket Nos. 50-387 and 50-388

In accordance with 10 CFR 50.75(f)(1), we are submitting the Allegheny Electric Cooperative, Inc.'s decommissioning report of financial assurance for our 10 percent interest in Susquehanna Units 1 and 2.

If you have any questions regarding the report, please contact me at 717-233-5704.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kenneth W. Kammeier', written over a horizontal line.

Kenneth W. Kammeier

Enclosure: Decommissioning report

cc: NRC Region I
Mr. D. J. Allard, PA DEP
Mr. R. V. Guzman, NRC Project Manager
Mr. S. Hansell, NRC Sr. Resident Inspector
Mr. M. A. Dusaniwskyj, NRC - OWFN

A001

**NRC Decommissioning Funding Status Report
December 31, 2002**

**Allegheny Electric Cooperative, Inc.
Susquehanna Steam Electric Station**

Allegheny Electric Cooperative (AEC) hereby submits this Decommissioning Report in compliance with 10 CFR 50.75(f)(1) for its 10 percent share of Susquehanna Units 1 and 2.

| Information is submitted to provide | Unit # 1 | Unit #2 |
|--|----------------------|----------------------|
| Financial Assurance | | |
| 1. The minimum amount of decommissioning funds estimated to be required pursuant to 10 CFR 50.75(b) and (c). At December 31, 2002 AEC's calculation of the NRC minimum formula is reflected in Exhibit 1. | \$44,956,012 | \$44,956,012 |
| 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). Market Value at Dec. 31, 2002 | \$9,821,170 | \$9,821,170 |
| 3. See Exhibit 2 for a schedule of the annual amounts remaining to be collected. | | |
| 4. The assumptions used regarding escalation in decommissioning cost, rates of earnings on decommissioning funds, and rates of other factors used in funding projections. Estimated Inflation rate for decommissioning costs Estimated Earnings rates on decommissioning funds Rates of other factors used in funding projections AEC sets its own rates, subject to the approval of the U.S. Department of Agriculture, Rural Utilities Service. AEC believes the above assumptions are reasonable. | 4% 7.5% (None) | 4% 7.5% (None) |
| 5. Any power sale contracts upon which licensee is relying to provide financial assurance. AEC is the wholesale power supplier for the 14 rural electric cooperatives in Pennsylvania and New Jersey. AEC has all requirement contracts with its 14 member distribution cooperatives, which is the source for funding the Trust Fund. | (see below) | (see below) |
| 6. Modifications to licensee's method of providing financial assurance since previous report. | None | None |
| 7. Material changes to trust agreement. | None | None |

**Calculation of Escalation Factors
Used in Computation of Minimum Financial Assurance
Amount for Decommissioning
Susquehanna Steam Electric Station Units One And Two**

Boiling Water Reactor (BWR)
Escalation Factor

Formula - $0.65(L) + 0.13(E) + 0.22(B)$

Escalation = $(0.65 \times 1.907) + (0.13 \times 1.090) + (0.22 \times 8.860)$
 $= (1.23923 + 0.14164 + 1.94920) = 3.330$

(L) - Labor - (Bureau of Labor Statistics, Table 4, Compensation, Employment Cost Index, for total compensation, private industry workers, by bargaining status, region and area size

Northeast region – Annual Average 2002 Index Number 248.8
 January 1986 Index Number 130.5

$L = \frac{248.8}{130.5} = 1.907$

(E) - ENERGY (Producer Price Index Commodities, Series ID: WPU0543 and WPU0573)

$E = (0.54P + 0.46F)$
 $E = (0.54 \times 1.225) + (0.46 \times 0.930)$
 $E = 0.66152 + 0.40802 = 1.0895$

P - Industrial Power, 500 KW demand - (Commodity 0543)
 Annual Average 2002 Index Number 139.9
 January 1986 Index Number 114.2 (1)

$P = \frac{139.9}{114.2} = 1.225$

F - Light fuel oils - (Commodity 0573)
 Annual Average 2002 Index Number 76.3
 January 1986 Index Number 82.0

$F = \frac{76.3}{82.0} = 0.930$

(B) Waste Burial

NUREG - 1307, REV.10, "NRC Report on Waste Burial Charges"
 Table 2.1
 South Carolina Factor 8.860

(1) Represents the national base value of P at January 1986. The base value of P is no longer determined on a regional basis.

**Computation of Minimum Financial Assurance Amount
for Decommissioning Susquehanna Steam Electric Station Units One and Two**

| | Unit 1 | Unit 2 |
|--|---------------|---------------|
| Base amount for BWR greater than 3,400 MWt = \$135 million | \$135,000,000 | \$135,000,000 |
| The Power Level of Unit 1 and Unit 2 is = 3,441 MWt | | |
| Ownership percentage | 10% | 10% |
| Base amount per unit | \$13,500,000 | \$13,500,000 |
| Escalation Factor | 3.330 | 3.330 |
| Escalated Amount per Unit | \$44,956,012 | \$44,956,012 |
| Total Escalated Amount (Unit 1 + Unit 2) | | \$89,912,024 |

**AEC Nuclear Decommissioning Trust
Expected Contributions**

| Year | Unit 1 | Unit 2 | Total |
|-----------|--------------|--------------|--------------|
| 2003 | \$783,689 | \$783,689 | \$1,567,378 |
| 2004 | \$834,629 | \$834,629 | \$1,669,258 |
| 2005 | \$888,880 | \$888,880 | \$1,777,759 |
| 2006 | \$946,657 | \$946,657 | \$1,893,314 |
| 2007 | \$1,008,190 | \$1,008,190 | \$2,016,379 |
| 2008 | \$1,073,722 | \$1,073,722 | \$2,147,444 |
| 2009 | \$1,143,514 | \$1,143,514 | \$2,287,028 |
| 2010 | \$1,217,842 | \$1,217,842 | \$2,435,684 |
| 2011 | \$1,297,002 | \$1,297,002 | \$2,594,004 |
| 2012 | \$1,381,307 | \$1,381,307 | \$2,762,614 |
| 2013 | \$1,471,092 | \$1,471,092 | \$2,942,184 |
| 2014 | \$1,566,713 | \$1,566,713 | \$3,133,426 |
| 2015 | \$1,668,549 | \$1,668,549 | \$3,337,099 |
| 2016 | \$1,777,005 | \$1,777,005 | \$3,554,010 |
| 2017 | \$1,892,510 | \$1,892,510 | \$3,785,021 |
| 2018 | \$2,015,524 | \$2,015,524 | \$4,031,047 |
| 2019 | \$2,146,533 | \$2,146,533 | \$4,293,065 |
| 2020 | \$2,286,057 | \$2,286,057 | \$4,572,114 |
| 2021 | \$2,434,651 | \$2,434,651 | \$4,869,302 |
| 2022 | \$2,592,903 | \$2,592,903 | \$5,185,806 |
| 2023 | \$0 | \$2,761,442 | \$2,761,442 |
| 2003-2023 | \$30,426,967 | \$33,188,409 | \$63,615,377 |