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March 31, 2003

U. S. Nuclear Regulatory Commission
Washington, DC 20555

ATTENTION: Document Control Desk

SUBJECT: Calvert Cliffs Nuclear Power Plant
Unit Nos. 1 & 2; Docket Nos. 50-317 & 50-318
Nine Mile Point Nuclear Station
Unit Nos. 1 & 2; Docket Nos. 50-220 & 50-410
Biennial Report: Status of Decommissioning Funding per 10 CFR 50.75(f)(1)

Pursuant to the requirements of 10 CFR 50.75(f)(1), this letter forwards the 2003 report on the status of decommissioning funding for the Constellation Generation Group, LLC on behalf of its licensees Calvert Cliffs Nuclear Power Plant and Nine Mile Point Nuclear Station. Paragraph 50.75(f)(1) requires that each power reactor licensee report, on a calendar-year basis, to the Nuclear Regulatory Commission by March 31, 1999, and at least once every two years thereafter on the status of its decommissioning funding for each reactor or part of a reactor that it owns. This letter, and the associated attachment, is intended to satisfy that requirement for the 2003 reporting period.

The required information is provided in Attachment (1). Please note the required information applicable to the Nine Mile Point Unit 2 plant includes summary statements provided by the remaining 18% co-owner, Long Island Lighting Company (dba/Long Island Power Authority). Constellation Generation Group, LLC has not independently verified information provided by this co-owner.

Should you have questions regarding this matter, we will be pleased to discuss them with you.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Charles H. Cruse".

CHC/CAN

Attachment: (1) 2003 Decommissioning Funding Status Report

cc: J. Petro, Esquire
Director, Project Directorate I-1, NRC
G. S. Vissing, NRC
P. S. Tam, NRC

H. J. Miller, NRC
Resident Inspector, NRC, CCNPP
Resident Inspector, NRC, NMP
R. I. McLean, DNR

A001

Add: Michael Dusanivskyj
Paper Copy



Constellation
Generation Group, LLC

*A Member of the
Constellation Energy Group*

2003 DECOMMISSIONING FUNDING
STATUS REPORT

ATTACHMENT (1)

2003

DECOMMISSIONING FUNDING STATUS REPORT

CALVERT CLIFFS NUCLEAR POWER PLANT

(DOCKET NOS. 50-317 & 50-318)

NINE MILE POINT NUCLEAR STATION

(DOCKET NOS. 50-220 & 50-410)



As provided in 10 CFR 50.75(f)(1), each power reactor licensee is required to report to the Nuclear Regulatory Commission 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. The 2003 required information is provided as follows:

**Calvert Cliffs Nuclear Power Plant
Unit Nos. 1 & 2
Docket Nos. 50-317 & 50-318**

Table 1 – Calvert Cliffs

	Information Required by 10 CFR 50.75(f)(1)	Unit 1 (\$000's)	Unit 2 (\$000's)	Total ¹ (\$000's)
1	The minimum decommissioning fund estimate ² as of December 31, 2002, pursuant to 10 CFR 50.75 (b) and (c)	\$335,541	\$335,541	\$671,082
2	The amount accumulated as of December 31, 2002 in the external decommissioning trust ³ pursuant to 10 CFR 50.75 (b) and (c)	\$98,826	\$123,905	\$222,731
3	Schedule of the annual amounts remaining to be collected ⁴	\$6,887	\$9,730	\$16,617
4	Assumptions used regarding escalation in decommissioning cost, rates of earnings on decommissioning funds, and rates of other factors used in funding projections			
	Annual decommissioning cost escalation	4.05%		
	Annual after-tax rate of earnings on decommissioning funds ⁵	7.20%		
	Frequency of contribution to the decommissioning trust	Quarterly		
5	Any contracts upon which Constellation is relying pursuant to 10 CFR 50.75 (e)(1)(v) ⁶	Yes		
6	Any modifications to Constellation's current method of providing financial assurance since the last submitted report	None		
7	Any material changes to trust agreements ⁷	None		



Table 1 Notes – Calvert Cliffs

- ¹ These values represent decommissioning costs anticipated to be incurred in removing the Calvert Cliffs units safely from service and reducing residual radioactivity to levels that permit release of the property for unrestricted use and termination of the license. The cost of dismantling non-radioactive systems and structures is not included in this estimate, nor is the cost of managing and storing spent fuel on the site until transfer to the U. S. Department of Energy.
- ² Values based on application of the generic minimum funding calculation specified in 10 CFR 50.75(c)(1), as adjusted in accordance with paragraph 50.75(c)(2) and Revision 10 of NUREG-1307. Prior submission estimates were based on a site specific study as approved by the Maryland Public Service Commission and escalated in accordance with NUREG-1307.
- ³ Unit 2 values are higher than Unit 1 because the amounts deposited to the decommissioning trusts are based on the site-specific cost estimate study where common decommissioning costs are allocated to Unit 2.
- ⁴ The amounts being deposited into the trust were first approved by the Maryland Public Service Commission in 1995 when the Calvert Cliffs facilities were owned by Baltimore Gas and Electric Company (BGE). Pursuant to a settlement agreement approved by the Maryland Public Service Commission in 1999 contemplating BGE's transfer of the Calvert Cliffs facility to an affiliated entity, the annual collections will continue until at least June 2006 when future funding level requirements may be recalculated.
- ⁵ This value represents Constellation's best estimate at this time. However, in accordance with 10 CFR 50.75(e)(1)(ii) and the 1995 Maryland Public Service Commission order, as reaffirmed in the 1999 Settlement Agreement, the allowed real rate of return is 2.50%, as based on an assumed decommissioning escalation of 5% and an after-tax rate of return of 7.5%.
- ⁶ Calvert Cliffs regulated affiliate, Baltimore Gas & Electric (BGE), collects decommissioning costs from its electric customers for Calvert Cliffs through its delivery service charges in accordance with a restructuring order from the Maryland Public Service Commission. To assure the transfer of decommissioning fees recovered through a non-bypassable charge, BGE transfers these funds to Calvert Cliffs pursuant to a Decommissioning Funds Collection Agent Agreement. Under the terms of this Agreement, Calvert Cliffs is obligated to deposit the funds into the decommissioning trusts. The NRC has previously reviewed the details of this contractual arrangement in its June 30, 2000 license transfer Safety Evaluation and concluded that, given the intercompany agreements that obligate the payments, Calvert Cliffs is providing decommissioning funding assurance in the form of external sinking funds tied to a non-bypassable charge pursuant to 10 CFR 50.75(e)(1)(ii)(B).
- ⁷ Since originally filed with the Commission in 1990, the trust agreement has been amended and restated. Changes reflected in the trust agreement are not material. A copy of the restated trust agreement is available upon request.

Nine Mile Point Nuclear Station
Unit Nos. 1 & 2
Docket Nos. 50-220 & 50-410

**Table 2 – Nine Mile Point
Constellation Energy Group Ownership Interest**

	Information Required by 10 CFR 50.75(f)(1)	Unit 1 ¹ (\$000's)	Unit 2 ¹ (\$000's)	Total ² (\$000's)
1	The minimum decommissioning fund estimate ³ as of December 31, 2002, pursuant to 10 CFR 50.75 (b) and (c)	\$401,675	\$368,549	\$770,224
2	The amount accumulated as of December 31, 2002 in the external decommissioning trust pursuant to 10 CFR 50.75 (b) and (c)	\$240,537	\$151,711	\$392,247
3	Schedule of the annual amounts remaining to be collected	N/A	N/A	N/A
4	Assumptions used regarding escalation in decommissioning cost, rates of earnings on decommissioning funds, and rates of other factors used in funding projections			
	Annual decommissioning cost escalation	4.05%		
	Annual after-tax rate of earnings on decommissioning funds ⁴	6.8%	7.4%	N/A
	Frequency of contribution to the decommissioning trust ⁵	N/A		
5	Any contracts upon which Constellation is relying pursuant to 10 CFR 50.75 (e)(1)(v)	None		
6	Any modifications to Constellation's current method of providing financial assurance since the last submitted report	5		
7	Any material changes to trust agreements	6		



**Table 2 Notes - Nine Mile Point
Constellation Energy Group Ownership Interest**

- ¹ On November 7, 2001, Constellation completed the acquisition of 100% of Nine Mile Point Unit 1 (NMP-1) and 82% of Nine Mile Point Unit 2 (NMP-2). The NMP-1 amounts provided in this table represent the 100% Constellation share of decommissioning responsibilities. The NMP-2 amounts provided in this table represent the 82% Constellation share of decommissioning responsibilities. Table 3 contains information regarding the remaining 18% share assumed by the Long Island Power Authority.
- ² These values represent the decommissioning costs, relative to the Constellation Energy Group interests, as anticipated to be incurred in removing the Nine Mile Point units safely from service and reducing residual radioactivity to levels that permit release of the property for unrestricted use and termination of the license. The cost of dismantling non-radioactive systems and structures is not included in this estimate, nor is the cost of managing and storing spent fuel on the site until transfer to the U.S. Department of Energy.
- ³ Values based on application of the generic minimum funding calculation specified in 10 CFR 50.75(c)(1), as adjusted in accordance with paragraph 50.75(c)(2) and Revision 10 of NUREG-1307.
- ⁴ These values represent Constellation's best estimate at this time. However, the parental guarantee for additional funds, as described in Note 5 and as previously provided to the NRC pursuant to 10 CFR 50.75(e)(1)(iii)(B), is based on the annual real rate of return maximized at 2% for both Nine Mile Point trusts.
- ⁵ At completion of the Nine Mile Point acquisition by Constellation, the selling parties transferred all of their decommissioning trust assets into the respective master decommissioning trusts for each of NMP-1 and NMP-2. A parental guarantee for additional funds was provided pursuant to 10 CFR 50.75(e)(1)(iii)(B), which, when combined with the transferred decommissioning trust funds for NMP-1 and NMP-2, met the total amounts required for NMP-1 and NMP-2, respectively, pursuant to 10 CFR 50.75 (b) and (c). Additional contributions to the decommissioning trust fund are not required at this time.
- ⁶ As described above, the decommissioning trust assets were transferred into the "Nine Mile Point Nuclear Station, LLC Master Decommissioning Trust Agreement for Nine Mile Point Nuclear Station Unit One and Unit Two" ("Trust Agreement") and a parental guarantee was provided. The trustee of the Trust Agreement is Mellon Bank, N.A. The Trust Agreement also contains each of the decommissioning trust conditions required by the June 22, 2001 license transfer NRC Order (as amended) to provide reasonable assurance of decommissioning funding for unregulated non-electric utilities, including investment standards and limitations, disbursement limitations, and NRC notice requirements.



**Nine Mile Point Nuclear Station
Unit Nos. 1 & 2
Docket Nos. 50-220 & 50-410**

**Table 3 – Nine Mile Point
Long Island Lighting Company (dba/Long Island Power Authority)
18% NMP-2 Ownership Interest**

	Information Required by 10 CFR 50.75(f)(1)	Unit 1 (\$000's)	Unit 2 ¹ (\$000's)	Total ² (\$000's)
1	The minimum decommissioning fund estimate ³ as of December 31, 2002, pursuant to 10 CFR 50.75 (b) and (c)	N/A	\$80,901	\$80,901
2	The amount accumulated as of December 31, 2002 in the external decommissioning trust pursuant to 10 CFR 50.75 (b) and (c)	N/A	\$37,480	\$37,480
3	Schedule of the annual amounts remaining to be collected	N/A	\$2,100 (2003-2026)	\$2,100 (2003-2026)
4	Assumptions used regarding escalation in decommissioning cost, rates of earnings on decommissioning funds, and rates of other factors used in funding projections			
	Annual decommissioning cost escalation	N/A	3%	3%
	Annual after-tax rate of earnings on decommissioning funds	N/A	6.0%	6.0%
	Frequency of contribution to the decommissioning trust	N/A		
5	Any contracts upon which Long Island Power Authority is relying pursuant to 10 CFR 50.75 (e)(1)(v)	None		
6	Any modifications to the Long Island Power Authority's current method of providing financial assurance since the last submitted report	None		
7	Any material changes to trust agreements	None		



**Table 3 Notes – Nine Mile Point
Long Island Lighting Company (dba/Long Island Power Authority)
18% NMP-2 Ownership Interest**

- ¹ On November 7, 2001, Constellation Energy Group completed the acquisition of 100% of Nine Mile Point, Unit 1 (NMP-1) and 82% of Nine Mile Point Unit 2 (NMP-2). The NMP-2 amounts provided in this table represent the remaining 18% Long Island Lighting Company share of decommissioning responsibilities. Constellation has not independently verified this information as provided by the co-owner.
- ² These values represent the decommissioning costs, relative to the Long Island Power Authority interests, as anticipated to be incurred in removing NMP-2 safely from service and reducing residual radioactivity to levels that permit release of the property for unrestricted use and termination of the license. The cost of dismantling non-radioactive systems and structures is not included in this estimate, nor is the cost of managing and storing spent fuel on the site until transfer to the U.S. Department of Energy.
- ³ Values based on application of the generic minimum funding calculation specified in 10 CFR 50.75(c)(1), as adjusted in accordance with paragraph 50.75(c)(2) and Revision 10 of NUREG-1307.