

October 16, 2003

10 CFR 50.75(f)(1)

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

Duane Arnold Energy Center  
Docket 50-331  
License No. DPR-49

Palisades Nuclear Plant  
Docket 50-255  
License No. DPR-20

Kewaunee Nuclear Power Plant  
Docket 50-305  
License No. DPR-43

Point Beach Nuclear Plant Units 1 and 2  
Dockets 50-266 and 50-301  
License Nos. DPR-24 and DPR-27

Monticello Nuclear Generating Plant  
Docket 50-263  
License No. DPR-22

Prairie Island Nuclear Generating Plant  
Units 1 and 2  
Dockets 50-282 and 50-306  
License Nos. DPR-42 and DPR-60

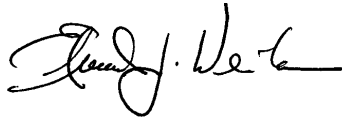
#### DECOMMISSIONING FUNDING STATUS REPORTS – SUPPLEMENTAL RESPONSE

Reference: Letter to Document Control Desk, "Decommissioning Funding Status Reports", dated March 31, 2003, (ADAMS Accession ML0309300580).

On March 31, 2003, Nuclear Management Company, LLC (NMC), on behalf of the plant owners and co-owners, submitted decommissioning funding status reports in accordance with 10 CFR 50.75, "Reporting and Record-keeping for Decommissioning Planning," Paragraph (f)(1) for the aforementioned plants.

On September 8, 2003, Mr. Dusaniwskyj and Mr. Eads of the NRC Staff verbally requested confirmation for each plant of the projected rates of return that were stated or implied in item 4 of each plant report. The attached information, provided by plant owners and co-owners, shows the respective projected rates of returns as calculated by subtracting the average rate of earnings from the average escalation factor. In addition, the regulatory agency or regulatory authority that approves rate of earnings or escalation factors are identified for each owner and co-owner.

This letter contains no new commitments and no revisions to existing commitments.

A handwritten signature in black ink, appearing to read 'Edward J. Weinkam', with a stylized flourish at the end.

Edward J. Weinkam  
Director, Regulatory Services  
Nuclear Management Company, LLC

CC: Regional Administrator, Region III, USNRC  
Project Managers - Duane Arnold Energy Center, Kewaunee Nuclear Power Plant, Monticello Nuclear Generating Plant, Palisades Nuclear Plant, Point Beach Nuclear Plant, Prairie Island Nuclear Generating Plant  
NRC Senior Resident Inspectors - Duane Arnold Energy Center, Kewaunee Nuclear Power Plant, Monticello Nuclear Generating Plant, Palisades Nuclear Plant, Point Beach Nuclear Plant, Prairie Island Nuclear Generating Plant  
Mr. Michael A. Dusaniwskyj, NRR, USNRC

Attachments

**ATTACHMENTS**

**NUCLEAR MANAGEMENT COMPANY, LLC**

| <b>ATTACHMENT</b> | <b>Owner(s)</b>  | <b>Plant(s)</b>   |
|-------------------|--|---|
| <b>1</b>          | Consumers Energy Company   | Palisades Nuclear Plant   |
| <b>2</b>          | Wisconsin Electric Power Company   | Point Beach Nuclear Plant<br>Unit 1 & Unit 2  |
| <b>3</b>          | a. Wisconsin Public Service Corp<br>b. Wisconsin Power & Light Company                         | Kewaunee Nuclear Power<br>Plant   |
| <b>4</b>          | Xcel Energy  | Monticello Nuclear<br>Generating Plant<br><br>Prairie Island Nuclear<br>Generating Plant<br>Unit 1 & Unit 2 |
| <b>5</b>          | a. Interstate Power and Light<br>b. Central Iowa Power Cooperative<br>c. Corn Belt Cooperative | Duane Arnold Energy<br>Center   |

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## ATTACHMENT 1

**Consumers Energy Company  
Palisades Nuclear Plant  
Docket 50-255 License No. DPR-20**

4. Assumptions used regarding escalation in decommissioning costs, rate of earnings on decommissioning funds and rates of other factors used in funding projections.

| <b>Plant Owner (% Ownership)</b>   | <b><i>Rate of<br/>Earnings<br/>(Nominal Rate<br/>Of Return)</i></b> | <b><i>Escalation<br/>Factor<br/>(Inflation)</i></b> | <b><i>Real Rate<br/>of Return<br/>(Projected)</i></b> |
|------------------------------------|---|---|---|
| Consumers Energy Company<br>(100%) | 6.4%  | 4.54%   | 1.86%   |

Basis for Allowance:

The Michigan Public Service Commission approved the escalation factor in its December 16, 1999, Order in Case No. U-11662.

## ATTACHMENT 2

**Wisconsin Electric Power Company  
Point Beach Nuclear Plant, Units 1 & 2  
Docket 50-266 License No. DPR-24  
Docket 50-301 License No. DPR-27**

4. Assumptions used regarding escalation in decommissioning costs, rate of earnings on decommissioning funds and rates of other factors used in funding projections.

| <b>Plant Owner (% Ownership)</b>                           | <b><i>Rate of<br/>Earnings<br/>(Nominal Rate<br/>of Return)</i></b> | <b><i>Escalation<br/>Factor<br/>(Inflation)</i></b> | <b><i>Real Rate<br/>of Return<br/>(Projected)</i></b> |
|--|---|---|---|
| Wisconsin Electric Power Company (100%)-Point Beach Unit 1 | 6.11%   | 5.84%   | 0.27%   |
| Wisconsin Electric Power Company (100%)-Point Beach 2      | 6.11%   | 5.84%   | 0.27%   |

Basis for Allowance:

Wisconsin Electric Power Company average Escalation Factor is 5.84%. This composite rate is based on rates approved by the Public Service Commission, Wisconsin.

### ATTACHMENT 3

**Wisconsin Public Service Corporation and Wisconsin Power & Light Company  
Kewaunee Nuclear Power Plant  
Docket 50-305 License No. DPR-43**

4. Assumptions used regarding escalation in decommissioning costs, rate of earnings on decommissioning funds and rates of other factors used in funding projections.

| <b>Plants Owner (% Ownership)</b>       | <b><i>Rate of Earnings<br/>(Nominal Rate Of Return)</i></b> | <b><i>Escalation Factor<br/>(Inflation)</i></b> | <b><i>Real Rate of Return<br/>(Projected)</i></b> |
|---|---|---|---|
| Wisconsin Public Service Corp.<br>(59%) | 5.32%   | 5.78%   | (0.46%)   |
| Wisconsin Power & Light<br>(41%)        | 6.04%   | 5.83%   | 0.21%   |

Basis for Allowance:

Wisconsin Public Service Corporation and Wisconsin Power & Light average Escalation Factors are 5.78% and 5.83% respectively. These composite rates are based on rates approved by the Public Service Commission, Wisconsin.

## ATTACHMENT 4

**Xcel Energy**  
**Monticello Generating Plant**  
**Docket 50-263 License No. DPR-22**

**Prairie Island Generating Plant Unit 1 & 2**  
**Docket 50-282 License No. DPR-42**  
**Docket 50-306 License No. DPR-60**

4. Assumptions used regarding escalation in decommissioning costs, rate of earnings on decommissioning funds and rates of other factors used in funding projections.

| <b>Plants Owner (% Ownership)</b>    | <b><i>Rate of Earnings<br/>(Nominal Rate Of Return)</i></b> | <b><i>Escalation Factor<br/>(Inflation)</i></b> | <b><i>Real Rate of Return<br/>(Projected)</i></b> |
|--------------------------------------|---|---|---|
| Xcel Energy (100%)- Monticello       | 5.5%  | 4.35%   | 1.15%   |
| Xcel Energy (100%)- Prairie Island 1 | 5.5%  | 4.35%   | 1.15%   |
| Xcel Energy (100%)- Prairie Island 2 | 5.5%  | 4.35%   | 1.15%   |

Basis for Allowance:

Xcel Energy files a triennial decommissioning study with the Minnesota Public Utilities Commission for approval. A portion of the study is dedicated to an internal analysis of inflation factors surrounding the various components necessary to perform the decommissioning function. The analysis utilizes long-range inflation projections published by Global Insight, the Consumer Price Index, and the Chained Price Index for Gross Domestic Product, as well as other forecasted data.

## ATTACHMENT 5

**IPL, CIPCO & Corn Belt  
Duane Arnold Energy Center  
Docket 50-331 License No. DPR-49**

4. Assumptions used regarding escalation in decommissioning costs, rate of earnings on decommissioning funds and rates of other factors used in funding projections.

| <b>Plant Owners (% Ownership)</b>    | <b><i>Rate of Earnings<br/>(Nominal Rate Of Return)</i></b> | <b><i>Escalation Factor<br/>(Inflation)</i></b> | <b><i>Real Rate of Return<br/>(Projected)</i></b> |
|--------------------------------------|---|---|---|
| Interstate Power & Light (70%)       | 6.25%   | 4.25%   | 2%  |
| Central Iowa Power Cooperative (20%) | 8%  | 4%  | 4%  |
| Corn Belt Cooperative (10%)          | 10%   | 5%  | 5%  |

Basis for Allowance:

- (a) The Iowa Utility Board has the regulatory authority for approving the rate of earnings and escalation factor. The projected real rate of return allowed by 10CFR50.75 is 2%.
- (b) Central Iowa Power Cooperative (CIPCO) is a tax-exempt cooperative under IRS section 501c(12). This exempt status allows for a higher rate of earnings that results in higher projected real rates of return. CIPCO's rates are not regulated by any state or federal agency. CIPCO's rates are determined annually based on a budget approved by the Board of Directors. If the cooperative does not obtain the projected earnings rates on the decommissioning fund, it has the ability to increase future funding to meet the decommissioning obligation.
- (c) Corn Belt Cooperative is a tax-exempt cooperative under IRS section 501c(12). This exempt status allows for higher rate of earnings that results in higher projected real rates of return. Corn Belt's rates are not regulated by any state or federal agency. Corn Belt's rates are determined annually based on a budget approved by the Board of Directors. If the cooperative does not obtain the projected earnings rates on the decommissioning fund, it has the ability to increase future funding to meet the decommissioning obligation.