



South Texas Project Electric Generating Station P.O. Box 289 Wadsworth, Texas 77483

March 29, 2004  
NOC-AE-04001699  
File No.: G25  
10CFR50.75

U. S. Nuclear Regulatory Commission  
Attention: Document Control Desk  
One White Flint North  
11555 Rockville Pike  
Rockville, MD 20852

South Texas Project  
Units 1 and 2  
Docket Nos. STN 50-498, STN 50-499  
Decommissioning Funding Status Report - 2003

Pursuant to 10CFR50.75(f), the South Texas Project submits the attached reports on the status of funds available for decommissioning Units 1 and 2. The reports were prepared for the following co-owners of the South Texas Project:


- Texas Genco, LP; and
- AEP Texas Central Company.

These co-owners are in the process of changing the terms of ownership of their respective shares in the South Texas Project. Consequently, this report satisfies the annual reporting requirements of 10CFR50.75(f)(1).

The attached reports provide the following information for the affected co-owners:

- Estimated amount of decommissioning funds required;
- Amount accumulated by the end of calendar year 2003;
- A schedule of the annual amounts remaining to be collected;
- Assumptions used regarding rates of escalation in decommissioning cost, rates of earnings on decommissioning funds, and rates of other factors used in funding projections;
- Contracts upon which the owners rely pursuant to 10CFR50.75(e)(1)(v);
- Modifications to method of providing financial fund assurance; and
- Material changes to trust agreements.

If there are any questions, please contact me at (361) 972-8085.

  
Frank H. Mallen  
General Manager,  
Financial Support

Attachments:  
2003 Decommissioning Funding Status Report – Texas Genco, LP  
2003 Decommissioning Funding Status Report – AEP Texas Central Company

STI #31716722

A001

cc:

(paper copy)

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**ATTACHMENT 1**

**SOUTH TEXAS PROJECT**

**2003 DECOMMISSIONING FUNDING STATUS REPORT**

**TEXAS GENCO, LP**

**TEXAS GENCO, LP**  
**30.8% Ownership of South Texas Project Unit 1**  
**2003 DECOMMISSIONING FUNDING STATUS REPORT**

As provided in 10CFR50.75(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 or annually if the reactor is part of a merger or acquisition, on the status of its decommissioning funding for each reactor or share of reactor it owns. Please refer to the responses below for the requested information:

1. The minimum decommissioning fund estimate, pursuant to 10CFR50.75(b) and (c)<sup>1</sup>:

<b>Total Required:</b>	<b>\$111,249,600</b>
<b>Required by 12/31/2003:</b>	<b>\$ 39,087,697</b>
  
2. The amount accumulated at the end of the calendar year preceding the date of the report for items included in 10CFR50.75(b) and (c):

<b>\$ 83,459,419</b>
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3. A schedule of the annual amounts remaining to be collected for items in 10CFR50.75(b) and (c):

<b>Amount remaining:</b>	<b>\$47,532,562</b>
<b>Number of years to collect:</b>	<b>23.6</b>
  
4. The assumptions used regarding escalation in decommissioning cost, rates of earnings on decommissioning funds, and rates of other factors used in funding projections:

<b>Escalation factor:</b>	<b>3.01%</b>
<b>Net earnings rate (after taxes and fees):</b>	<b>4.64% to 5.20%</b>
  
5. Any contracts upon which the licensee is relying pursuant to 10CFR50.75(e)(1)(v):

<b>None</b>
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6. Any modifications to a licensee's current method of providing financial assurance occurring since the last submitted report:

<b>None</b>
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7. Any material changes to the decommissioning trust agreements:

<b>None</b>
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<sup>1</sup>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.

**TEXAS GENCO, LP**  
**30.8% Ownership of South Texas Project Unit 2**  
**2003 NRC DECOMMISSIONING FUNDING STATUS REPORT**

As provided in 10CFR50.75(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 or annually if the reactor is part of a merger or acquisition, on the status of its decommissioning funding for each reactor or share of reactor it owns. Please refer to the responses below for the requested information:

1. The minimum decommissioning fund estimate, pursuant to 10CFR50.75(b) and (c)<sup>1</sup>:

<b>Total Required:</b>	<b>\$111,249,600</b>
<b>Required by 12/31/2003:</b>	<b>\$38,059,074</b>

2. The amount accumulated at the end of the calendar year preceding the date of the report for items included in 10CFR50.75(b) and (c):

**\$111,838,360**

3. A schedule of the annual amounts remaining to be collected for items in 10CFR50.75(b) and (c):

<b>Amount remaining:</b>	<b>\$22,241,937</b>
<b>Number of years to collect:</b>	<b>24.9</b>

4. The assumptions used regarding escalation in decommissioning cost, rates of earnings on decommissioning funds, and rates of other factors used in funding projections:

<b>Escalation factor:</b>	<b>3.01%</b>
<b>Net earnings rate (after taxes and fees):</b>	<b>4.64% to 5.20%</b>

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**

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<sup>1</sup>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.

**ATTACHMENT 2**

**SOUTH TEXAS PROJECT**

**2003 DECOMMISSIONING FUNDING STATUS REPORT**

**AEP TEXAS CENTRAL COMPANY**

**AEP TEXAS CENTRAL COMPANY  
25.2% Ownership of South Texas Project Unit 1  
2003 NRC DECOMMISSIONING FUNDING STATUS REPORT**

As provided in 10CFR50.75(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 or annually if the reactor is part of a merger or acquisition, on the status of its decommissioning funding for each reactor or share of reactor it owns. Please refer to the responses below for the requested information:

1. The minimum decommissioning fund estimate, pursuant to 10CFR50.75(b) and (c)<sup>1</sup>:

<b>Total Required:</b>	<b>\$91,154,700</b>
<b>Required by 12/31/2003:</b>	<b>\$32,027,327</b>

2. The amount accumulated at the end of the calendar year preceding the date of the report for items included in 10CFR50.75(b) and (c):

**\$53,203,210**

3. A schedule of the annual amounts remaining to be collected for items in 10CFR50.75(b) and (c):

<b>Amount remaining:</b>	<b>\$80,602,111</b>
<b>Number of years to collect:</b>	<b>24</b>

4. The assumptions used regarding escalation in decommissioning cost, rates of earnings on decommissioning funds, and rates of other factors used in funding projections:

<b>Escalation factor:</b>	<b>4.18%</b>
<b>Net earnings rate (after taxes and fees):</b>	<b>5.76%</b>

(These percentages are based upon AEP Texas Central's most recently decided rate case.)

5. Any contracts upon which the licensee is relying pursuant to 10CFR50.75(e)(1)(v):

**No contracts. The source of funds for the external decommissioning fund is cost-of-service regulation.**

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 the decommissioning trust agreements:

**Trust was amended in December 2003 to comply with NRC guidelines. A copy of the amendment is included for reference.**

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<sup>1</sup>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.

**AEP TEXAS CENTRAL COMPANY  
25.2% Ownership of South Texas Project Unit 2  
2003 NRC DECOMMISSIONING FUNDING STATUS REPORT**

As provided in 10CFR50.75(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 or annually if the reactor is part of a merger or acquisition, on the status of its decommissioning funding for each reactor or share of reactor it owns. Please refer to the responses below for the requested information:

1. The minimum decommissioning fund estimate, pursuant to 10CFR50.75(b) and (c)<sup>1</sup>:

<b>Total Required:</b>	<b>\$91,154,700</b>
<b>Required by 12/31/2002:</b>	<b>\$31,184,503</b>

2. The amount accumulated at the end of the calendar year preceding the date of the report for items included in 10CFR50.75(b) and (c):

**\$64,515,168**

3. A schedule of the annual amounts remaining to be collected for items in 10CFR50.75(b) and (c):

<b>Amount remaining:</b>	<b>\$115,572,825</b>
<b>Number of years to collect:</b>	<b>25</b>

4. The assumptions used regarding escalation in decommissioning cost, rates of earnings on decommissioning funds, and rates of other factors used in funding projections:

<b>Escalation factor:</b>	<b>4.18%</b>
<b>Net earnings rate (after taxes and fees):</b>	<b>5.76%</b>

(These percentages are based upon AEP Texas Central's most recently decided rate case).

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

**No contracts. The source of funds for the external decommissioning fund is cost-of-service regulation.**

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:

**Trust was amended in December 2003 to comply with NRC guidelines. A copy of the amendment is included for reference.**

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<sup>1</sup>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.



**FOURTH AMENDMENT  
TO THE  
AEP TEXAS CENTRAL COMPANY  
[Formerly the CENTRAL POWER AND LIGHT COMPANY]  
MASTER DECOMMISSIONING TRUST AGREEMENT  
FOR  
UNITS ONE AND TWO OF THE SOUTH TEXAS PROJECT ELECTRIC  
GENERATING STATION**

This Fourth Amendment is entered into as of the 18 day of December, 2003, by and between AEP Texas Central Company [formerly Central Power and Light Company] ("Company"), a Texas corporation, and Mellon Bank, N.A. ("Trustee"), a national banking association having trust powers.

**WITNESSETH:**

WHEREAS, the Company and the Trustee entered into that certain Master Decommissioning Trust Agreement dated as of June 25, 1990 (the "Agreement"), pursuant to which, among other things, the Company established the Fund for the exclusive purpose of providing for the decommissioning of the Plants and to constitute qualified and nonqualified nuclear decommissioning reserve fund;

WHEREAS, the Company and the Trustee also entered into that First Amendment dated October 4, 1991 ("First Amendment") to the Agreement in order to comply with certain rules promulgated by the Public Utility Commission of Texas;

WHEREAS, the Company and the Trustee also entered into that Second Amendment dated July 13, 1995 ("Second Amendment") to the Agreement in order to ensure that any pooling of the assets of the Master Trust does not create an association taxable as a corporation;

WHEREAS, the Company and the Trustee also entered into that Third Amendment dated December 2, 1996 ("Third Amendment") to the Agreement in order to incorporate certain provisions required by Treasury Regulations section 1.458A-5(a)(4);

WHEREAS, in Section 10.05 of the Agreement, as previously amended, the Company specifically reserves the right to amend the Agreement.

NOW THEREFORE, the parties hereby agree as follows:

1. The following Section 4.05 shall be added:

Section 4.05. **Notice Regarding Disbursements or Payments.** Except for (i) payments of ordinary administrative costs (including taxes) and other incidental expenses of the fund (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of the fund, (ii) withdrawals being made under 10 CFR 50.82(a)(8), and (iii) adjustments for Excess Contributions pursuant to Section 3.04 hereof being transferred to the Nonqualified Funds, no disbursement or payment may be made from the Master Trust until written notice of the intention to make a disbursement or payment has been given to the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment. The disbursement or payment from the trust may be made following the 30-working day notice period if no written notice of objection from the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, is received by the Trustee or the Company within the notice period. The required notice may be made by the Trustee or on the Trustee's behalf. No such notice is required for withdrawals being made pursuant to 10 CFR 50.82(a)(8)(ii), including withdrawals made during the operating life of the plant to be used for decommissioning planning. In addition, no such notice is required to be made to the NRC after decommissioning has begun and withdrawals are being made under 10 CFR 50.82(a)(8).

2. The following Section 9.07 shall be added:

For the purposes of this Section 9.07, the Trustee, investment manager, or other person directing investment of the Fund is referred to as the "Investment Director."

(1) The Investment Director is prohibited from investing the Fund in securities or other obligations of the Company or any other owner or operator of any nuclear power reactor or their affiliates, subsidiaries, successors or assigns. The Investment Director is prohibited from investing the Fund in a mutual fund in which at least 50 percent of the fund is invested in the securities of a licensee or parent company whose subsidiary is an owner of an interest in a foreign or domestic nuclear power plant or an operator of a foreign or domestic nuclear power plant. However, the Fund may be invested in securities tied to market indices or other non-nuclear sector collective, commingled, or mutual fund. Provided further that this subsection shall not operate in such a way as to require the sale or transfer either in whole or in part, or other disposition of any such prohibited investment that was made

before December 24, 2002. And provided further that no more than 10 percent of the Fund may be indirectly invested in securities of any entity owning or operating one or more nuclear power plants.

(2) The Investment Director is obligated at all times, whether in investing or otherwise, to adhere to the standard of care required by State or Federal law or one or more State or Federal regulatory agencies with jurisdiction over the trust funds, or, in the absence of any such standard of care, whether in investing or otherwise, that a prudent investor would use in the same circumstances. For this purpose, the term "prudent investor," shall have the same meaning as set forth in the Federal Energy Regulatory Commission's "Regulations Governing Nuclear Plant Decommissioning Trust Fund" at 18 C.F.R. 35.32(a)(3), or any successor regulation.

The Company, its affiliates, and its subsidiaries are prohibited from being engaged as investment manager for the Fund or from giving day-to-day management direction of the Fund's investments or direction on individual investments by the Fund, except in the case of passive fund management of the Fund where management is limited to investments tracking market indices.

3. The following shall be added to Section 10.05:

Notwithstanding any provision herein to the contrary, this Agreement cannot be amended in any material respect without first providing 30 working days prior written notice to the NRC's Director of the Office of Nuclear Reactor Regulation or the Director of the Office of Nuclear Material Safety and Safeguards, as applicable. The Company shall provide the text of the proposed amendment and a statement of the reason for the proposed amendment. The Agreement may not be amended if the Company or the Trustee receives written notice of objection from the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, within the notice period.

4. Except as set forth herein, the Agreement is hereby ratified and confirmed and remains in full force and effect.
5. Each of the parties represents and warrants to the other parties that it has full authority to enter into this Amendment upon the terms and conditions hereof and that the individual executing this Amendment on its behalf has the requisite authority to bind the respective parties to this Amendment.

IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound hereby, have executed this Amendment as of the day and year first above written.

Authorized Signer of:  
MELLON BANK, N.A.

Authorized Officer of:  
AEP TEXAS CENTRAL COMPANY

By: Thomas J. McNally  
Name: THOMAS J. MCNALLY  
Title: VICE PRESIDENT  
Date: DECEMBER 23, 2003

By: J. Steven Kiser  
Name: J. Steven Kiser  
Title: Director Torts & Investments  
Date: Dec 18, 2003