

YANKEE ATOMIC ELECTRIC COMPANY

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March 31, 2004
BYR 2004-026

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, DC 20555-0001

References: (a) License No. DPR-3 (Docket No. 50-29)

Subject: Decommissioning Funding Assurance - 10CFR50.75(f)

In accordance with 10CFR50.75(f), this letter provides information on the status of decommissioning funding for the Yankee Nuclear Power Station (YNPS). Attachment 1 provides the required information.

The current decommissioning cost estimate is based on the 2003 cost estimate that was incorporated in the rate case settlement approved by the FERC on October 12, 2003 in docket #ER-03-704. The cost estimate supercedes the prior 1999 cost estimate. The revised cost estimate reflects the remaining cost of decommissioning as well as fuel storage costs through 2022, stemming from continued DOE default in removing the spent fuel to permanent storage.

As of 1/1/2003, the remaining cost to complete NRC required decommissioning activities is \$121.1 million stated in 2003 dollars. In addition to the \$121.1 million of NRC required decommissioning costs specified in the 2003 cost estimate, the previous decommissioning costs incurred since [1992] include: 1) decommissioning costs of \$347.9 million in nominal \$ incurred prior to 2003; 2) future contingency of \$37.9 million from 2003 through 2022; 3) long term spent fuel storage costs through 2022 (\$129.2 million), and 4) site restoration (\$0.3 million).

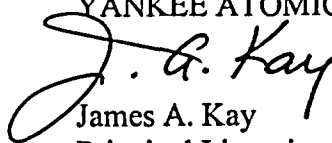
The annual funding amounts approved by the FERC in the 2003 rate case settlement are based on the following economic assumption: "average annual cost escalation of 2.2% for costs excluding costs that are not subject to escalation (i.e., the fixed price demolition contract and previously incurred costs)."

AMSSD1

If you should have any questions, please contact me at (978) 568-2302.

Very truly yours,

YANKEE ATOMIC ELECTRIC COMPANY

A handwritten signature in black ink, appearing to read "J. A. Kay". The signature is written in a cursive style with a large, looping initial "J".

James A. Kay
Principal Licensing Engineer

Attachment

c: H.J. Miller, NRC Region I Administrator
J.B. Hickman, NRC Senior Project Manager, NMSS

Attachment 1
NRC Decommissioning Funding Status Report

Yankee Nuclear Power Station (YNPS)
(Status as of 12/31/2003)

The minimum decommissioning fund estimate pursuant to 10CFR50.75(b) \$ 302.98 million

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) ¹ \$ 43.1 million

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

<i>amount remaining</i>	\$181.3 million ²
<i># years to collect</i>	7.0

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

A 2.9% average escalation rate was used for the 2003 FERC rate case. Earning rates, generated during the FERC case, are as follows: pre-tax (taxable) - 4.00-6.00%; pre-tax (tax-exempt) - 5.00%; and pre-tax equity - 10%. Other rate assumptions were: state tax rate, non-qualified trust - 6.5%; federal tax rate, qualified trust - 20%; and federal tax rate, non-qualified trust - 34%.

Collections to the trust fund are based on the following economic assumption: "average annual inflation adjustment of 2.2% for costs that are not subject to escalation (i.e., excluding the DEMCO contract, already incurred costs, and other costs that are not subject to inflation)."

¹ This market value balance includes amounts in the Trust for all decommissioning costs including site restoration and long term spent fuel storage as well as decommissioning as defined in 10CFR50.75.

² The FERC approved collection period now ends in December 2010 and funds forecasted expenses through December 2022. Yankee Atomic intends to file a FERC rate case in 2006 to adjust revenue requirements based on a post-D&D cost estimate.

Any contracts upon which the licensee is relying pursuant to 10CFR50.75(e)(1)(ii)(c)?

The decommissioning of YNPS was funded through its Power Contracts which obligate the purchasers for the full cost of decommissioning YNPS including spent fuel storage and site restoration. The FERC orders received by YAEC acknowledge the continuing obligation of the purchasers with respect to the full cost of decommissioning YNPS.

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

No modifications have been made to the current financial assurance method in this reporting period.

Any material changes to trust agreements?

No material changes have been made to trust agreements in this reporting period.
