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March 7, 2005



Docket Nos.: 50-348
50-364

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

Joseph M. Farley Nuclear Plant
Financial Assurance Requirements for Decommissioning
Nuclear Power Reactors (10 CFR 50.75(f)(1))

Dear Ladies and Gentlemen:

Pursuant to 10 CFR 50.75(f)(1), each power reactor licensee is required to report to the NRC the status of its decommissioning funding for each reactor or part of each reactor it owns on a calendar year basis, beginning on March 31, 1999, and every two years thereafter. Alabama Power Company (APC) hereby submits the enclosed information in accordance with 10 CFR 50.75(f)(1) for operating licenses NPF-2 and NPF-8 issued for Joseph M. Farley Nuclear Plant Unit 1 and 2, respectively. Southern Nuclear Operating Company, as the operating licensee and as an agent for the owner of Farley Nuclear Plant, is providing this information to the NRC on behalf of APC.

Based on the information presented herein, there is reasonable assurance that the funding necessary for decommissioning the Farley Nuclear Plant, consistent with the NRC prescribed minimum set forth in 10 CFR 50.75(c), will be available on the expiration date of the operating licenses NPF-2 and NPF-8.

Please advise if you have any questions or comments regarding the information provided herein.

Respectfully submitted,

ALABAMA POWER COMPANY, by,

A handwritten signature in black ink that reads "J. Randy DeRieux". The signature is written in a cursive style.

J. Randy DeRieux

JRD

Enclosure

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cc: Southern Nuclear Operating Company
Mr. L. M. Stinson, Vice President – Plant Farley

U. S. Nuclear Regulatory Commission
Mr. S. E. Peters, Licensing Project Manager – Farley
Dr. W. D. Travers, Regional Administrator
Mr. C. A. Patterson, Senior Resident Inspector – Farley

Enclosure
Alabama Power Company
Ownership Percentage – 100%

	10 CFR 50.75(f)(1) Requirement	Unit 1	Unit 2
1	The NRC minimum decommissioning estimate, pursuant to 10 CFR 50.75(b) and (c). ¹	\$ 342,332,000 ²	\$ 342,332,000 ²
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).	\$ 227,337,204	\$ 218,296,317
3	A schedule of the annual amounts remaining to be collected; for items in 10 CFR 50.75(b) and (c).	See Schedule in Attachment 1	See Schedule in Attachment 2
4	The assumptions used regarding: (a) rates of escalation in decommissioning costs; (b) rates of earnings on decommissioning funds; (c) real rate of return; and (d) rates of other factors used in funding projections.	4.5% 7% 2.5% N/A	4.5% 7% 2.5% N/A
5	Any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(v).	N/A	N/A
6	Any modifications to a licensee's current method of providing financial assurance occurring since the last submitted report.	<i>No Modifications</i> External Sinking Fund "Cost of Service" Rate Making	
7	Any material changes to trust agreements.	See Attachment 3	

NOTES:

¹ The NRC formulas in section 10 CFR 50.75(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.

² This number is based on NUREG-1307, Rev. 10, for the burial factor (Option 2) and the December 2003 values for labor and energy factors.

Attachment 1
Schedule of the Annual Amounts Remaining to be Collected

Alabama Power Company
Farley Nuclear Plant Unit 1

Year	Beginning Fund Balance	Fund Earnings	Fund Contributions	Ending Fund Balance	Minimum Decommissioning Fund Estimate
1999					
2000					
2001					
2002					
2003					342,332,000
2004				227,337,204	357,736,940
2005	227,337,204	15,913,604	10,269,707	253,520,515	373,835,102
2006	253,520,515	17,746,436	10,269,707	281,536,658	390,657,682
2007	281,536,658	19,707,566	10,269,707	311,513,931	408,237,278
2008	311,513,931	21,805,975	10,269,707	343,589,614	426,607,955
2009	343,589,614	24,051,273	10,269,707	377,910,594	445,805,313
2010	377,910,594	26,453,742	0	404,364,335	465,866,552
2011	404,364,335	28,305,503	0	432,669,839	486,830,547
2012	432,669,839	30,286,889	0	462,956,727	508,737,922
2013	462,956,727	32,406,971	0	495,363,698	531,631,128
2014	495,363,698	34,675,459	0	530,039,157	555,554,529
2015	530,039,157	37,102,741	0	567,141,898	580,554,483
2016	567,141,898	39,699,933	0	606,841,831	606,679,434
2017	606,841,831	42,478,928	0	649,320,759	633,980,009

Attachment 2

Schedule of the Annual Amounts Remaining to be Collected

**Alabama Power Company
Farley Nuclear Plant Unit 2**

Year	Beginning Fund Balance	Fund Earnings	Fund Contributions	Ending Fund Balance	Minimum Decommissioning Fund Estimate
1999					
2000					
2001					
2002					
2003					342,332,000
2004				218,296,317	357,736,940
2005	218,296,317	15,280,742	10,015,198	243,592,257	373,835,102
2006	243,592,257	17,051,458	10,015,198	270,658,913	390,657,682
2007	270,658,913	18,946,124	10,015,198	299,620,235	408,237,278
2008	299,620,235	20,973,416	0	320,593,652	426,607,955
2009	320,593,652	22,441,556	0	343,035,207	445,805,313
2010	343,035,207	24,012,465	0	367,047,672	465,866,552
2011	367,047,672	25,693,337	0	392,741,009	486,830,547
2012	392,741,009	27,491,871	0	420,232,879	508,737,922
2013	420,232,879	29,416,302	0	449,649,181	531,631,128
2014	449,649,181	31,475,443	0	481,124,624	555,554,529
2015	481,124,624	33,678,724	0	514,803,347	580,554,483
2016	514,803,347	36,036,234	0	550,839,581	606,679,434
2017	550,839,581	38,558,771	0	589,398,352	633,980,009
2018	589,398,352	41,257,885	0	630,656,237	662,509,109
2019	630,656,237	44,145,937	0	674,802,173	692,322,019
2020	674,802,173	47,236,152	0	722,038,326	723,476,510
2021	722,038,326	50,542,683	0	772,581,008	756,032,953

Attachment 3
Material Changes to Trust Agreement

June 1991	Executed Nonqualified Master Nuclear Decommissioning Trust Agreement with First Alabama Bank, Mobile
February 1994	Executed Investment Management Agreement with W.H. Reaves & Co. for the Nonqualified Master Nuclear Decommissioning Trust
February 1994	Executed Investment Management Agreement with ANB Investment Management and Trust Company for the Nonqualified Master Nuclear Decommissioning Trust
February 1994	Executed Investment Management Agreements with Loomis, Sayles & Company for the Nonqualified Master Nuclear Decommissioning Trust and the Qualified Master Nuclear Decommissioning Trust
December 1995	Executed Investment Management Agreement with Flaherty & Crumrine, Inc. for the Nonqualified Master Nuclear Decommissioning Trust
November 1996	Named Mellon Bank, N.A. successor trustee for the Nonqualified Master Nuclear Decommissioning Trust and the Qualified Master Nuclear Decommissioning Trust
March 1999	Established Trust Owned Life Insurance with Allmerica Financial Life and Annuity Company indirectly through Vinings Management for the Nonqualified Master Nuclear Decommissioning Trust
July 1999	Executed Investment Management Agreement with Northern Trust Company for the Qualified Master Nuclear Decommissioning Trust
July 1999	Executed Investment Management Agreement with Rhumblin Advisers for the Qualified Master Nuclear Decommissioning Trust
August 1999	Executed Investment Management Agreement with Barrow, Hanley, Mewhinney & Strauss, Inc. for the Qualified Master Nuclear Decommissioning Trust
July 2000	Executed Investment Management Agreement with Castleark Management L.L.C. for the Qualified Master Nuclear Decommissioning Trust
September 2002	Executed Investment Management Agreement with AmSouth Bank for the Qualified and Nonqualified Master Nuclear Decommissioning Trust
March 2003	Executed Trust Owned Life Insurance with Prudential for the Nonqualified Master Nuclear Decommissioning Trust replacing Allmerica
October 2004	Executed Investment Management Agreement with Flaherty and Crumrine, Inc. for the Qualified Master Nuclear Decommissioning Trust