



Tennessee Valley Authority, 1101 Market Street, Chattanooga, Tennessee 37402-2801

March 30, 2005

10 CFR 50.75(f)(1)

U.S. Nuclear Regulatory Commission  
ATTN: Document Control Desk  
Washington, D.C. 20555-0001

Gentlemen:

In the Matter of	)	Docket Nos.	50-259	50-327
Tennessee Valley Authority	)		50-260	50-328
			50-296	50-390

**TVA - DECOMMISSIONING FUNDING STATUS REPORT - BROWNS FERRY (BFN), SEQUOYAH (SQN), AND WATTS BAR (WBN) NUCLEAR PLANTS**

Pursuant to the requirements of 10 CFR 50.75(f)(1), TVA is required to report to the NRC on a calendar year basis (beginning March 31, 1999 and every two years thereafter), the status of decommissioning funding for each reactor owned by TVA. This report addresses the decommissioning funding status for BFN Units 1, 2, and 3; SQN Units 1 and 2; and WBN Unit 1.

The reporting requirements and corresponding TVA information are provided below.

1. The minimum decommissioning fund estimate, pursuant to 10 CFR 50.75 (b) and (c).

Decommissioning cost estimates were calculated pursuant to the formulas in 10 CFR 50.75(c). Burial cost adjustment factors were taken from NUREG-1307 R10 for the "Non-Atlantic Compact, Direct Disposal with Vendors" option. Bureau of Labor Statistics and Energy indices were taken from the web sites referenced by the NUREG at the end of the calendar year. The estimates in calendar year 2004 dollars are as follows:

<b>Decommissioning Cost Estimates (2004 End-of-Year Dollars, Millions)</b>			
<b>Plant</b>	<b>Units</b>	<b>Cost Per Unit</b>	<b>Total Plant Cost</b>
Browns Ferry	3	457.5	1372.5
Sequoyah	2	369.7	739.4
Watts Bar	1	369.7	369.7

A001

2. The amount accumulated in the TVA Decommissioning Fund at the end of calendar year 2004 for items included in 10 CFR 50.75 (b) and (c).

<b>Decommissioning Trust Fund</b> <b>(2004 End-of-Year Dollars, Millions)</b>		
<b>Plant</b>	<b>Units</b>	<b>Balance Per Plant</b>
Browns Ferry	3	533.1
Sequoyah	2	212.2
Watts Bar	1	52.3

3. A schedule of the annual amounts remaining to be collected for items in 10 CFR 50.75 (b) and (c).

As was described in TVA's letter of October 30, 2003, TVA has established a method to provide funding assurance on an ongoing basis. This method establishes a projection of necessary funds at the end of each year based upon current decommissioning cost estimates and assumptions regarding escalation and rate of earnings. Each year, TVA reviews the performance of its decommissioning trust fund. If funds fall below an established threshold of 95 percent of projected trust fund balances, TVA will make contributions to the trust fund or provide other methods of funding assurance to ensure adequate funding.

The tables attached to TVA's October 30, 2003, letter have been updated for the current calculated obligations and expressed in current dollars. These updated tables are provided in Enclosure 1 (BFN) and Enclosure 1a (SQN and WBN) to this letter. At the end of 2004, the total trust funds balance of \$797.6 million set forth above was 117.2 percent of the projected fund balance of \$680.6 million. Accordingly, no contributions or other method of funding assurance are necessary at this time.

4. The assumptions used regarding escalation in decommissioning cost, rates of earnings on decommissioning funds, and rates of other factors used in funding projections.
- The assumed escalation in decommissioning costs is 4 percent.
  - TVA assumed a projected annual real rate of return on decommissioning funds of 5 percent, as authorized by the TVA Board of Directors, TVA's rate-making authority. This rate is consistent with the long-term historical investment return associated with U.S. equities.
5. Any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(v).

None.

U.S. Nuclear Regulatory Commission  
Page 3  
March 30, 2005

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

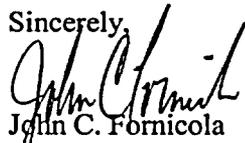
None.

7. Any material changes to trust agreements.

TVA's Second Amendment to the TVA Master Decommissioning Trust Agreement (included as Enclosure 2) implemented the trust fund changes dictated by 10 CFR §50.75 amendments, 67 Fed. Reg. 78332 (December 24, 2002), effective December 24, 2003.

If you have any questions regarding this response, please call Fred Mashburn at (423) 751-8817 in Chattanooga.

Sincerely,



John C. Fornicola  
Manager  
Nuclear Assurance and Licensing

Enclosures

cc (Enclosures):

Ms. Eva A. Brown, Project Manager  
U.S. Nuclear Regulatory Commission  
MS 08G9  
One White Flint North  
11555 Rockville Pike  
Rockville, Maryland 20852-2739

Ms. Margaret H. Chernoff, Senior Project Manager  
U.S. Nuclear Regulatory Commission  
MS 08G9  
One White Flint North  
11555 Rockville Pike  
Rockville, Maryland 20852-2739

Mr. William Travers, Regional Administrator  
U.S. Nuclear Regulatory Commission  
Region II  
Sam Nunn Atlanta Federal Center  
61 Forsyth St., SW, Suite 23T85  
Atlanta, Georgia 30303-8931

## Enclosure 1

Year	BFN1			BFN2			BFN3		
	Decom	Trust Fund		Decom	Trust Fund		Decom	Trust Fund	
	Annual Disbursement	Annual Funding Assurance	Projected Fund Balance	Annual Disbursement	Annual Funding Assurance	Projected Fund Balance	Annual Disbursement	Annual Funding Assurance	Projected Fund Balance
2002		--	\$128.1		--	\$122.0		--	\$110.6
2003		\$11.5	\$146.0		\$10.2	\$138.3		\$8.2	\$124.4
2004		\$12.3	\$165.7		\$10.9	\$156.1		\$8.7	\$139.3
2005		\$12.3	\$186.3		\$10.9	\$174.8		\$8.7	\$155.0
2006		\$12.3	\$207.9		\$10.9	\$194.5		\$8.7	\$171.5
2007		\$12.3	\$230.6		\$10.9	\$215.1		\$8.7	\$188.8
2008		\$12.3	\$254.5		\$10.9	\$236.8		\$8.7	\$207.0
2009		\$12.3	\$279.5		\$10.9	\$259.5		\$8.7	\$226.1
2010		\$12.3	\$305.8		\$10.9	\$283.4		\$8.7	\$246.1
2011		\$12.3	\$333.4		\$10.9	\$308.5		\$8.7	\$267.2
2012		\$12.3	\$362.4		\$10.9	\$334.8		\$8.7	\$289.3
2013	\$13.7		\$380.5		\$10.9	\$362.4		\$8.7	\$312.5
2014	\$63.4		\$385.2	\$13.7		\$380.5		\$8.7	\$336.8
2015	\$63.4		\$337.9	\$63.4		\$385.2		\$8.7	\$362.4
2016	\$63.4		\$288.2	\$63.4		\$337.9	\$13.7		\$380.5
2017	\$63.4		\$236.0	\$63.4		\$288.2	\$63.4		\$385.2
2018	\$63.4		\$181.3	\$63.4		\$236.0	\$63.4		\$337.9
2019	\$63.4		\$123.8	\$63.4		\$181.3	\$63.4		\$288.2
2020	\$63.4		\$63.4	\$63.4		\$123.8	\$63.4		\$236.0
2021			\$0.0	\$63.4		\$63.4	\$63.4		\$181.3
2022						\$0.0	\$63.4		\$123.8
2023							\$63.4		\$63.4
2024									\$0.0
<b>Total</b>	<b>\$457.5</b>			<b>\$457.5</b>			<b>\$457.5</b>		

Note: All amounts in millions of dollars  
All dollars stated in real dollars

### Enclosure 1a

Year	SQN1			SQN2			WBNI		
	Decom	Trust Fund		Decom	Trust Fund		Decom	Trust Fund	
	Annual Disbursement	Annual Funding Assurance	Projected Fund Balance	Annual Disbursement	Annual Funding Assurance	Projected Fund Balance	Annual Disbursement	Annual Funding Assurance	Projected Fund Balance
2002		--	\$73.7		--	\$70.2		--	\$35.5
2003		\$4.5	\$81.9		\$4.2	\$77.9		\$1.6	\$38.8
2004		\$4.8	\$90.9		\$4.4	\$86.2		\$1.7	\$42.4
2005		\$4.8	\$100.2		\$4.4	\$94.9		\$1.7	\$46.2
2006		\$4.8	\$110.1		\$4.4	\$104.1		\$1.7	\$50.1
2007		\$4.8	\$120.4		\$4.4	\$113.7		\$1.7	\$54.3
2008		\$4.8	\$131.2		\$4.4	\$123.9		\$1.7	\$58.6
2009		\$4.8	\$142.6		\$4.4	\$134.5		\$1.7	\$63.2
2010		\$4.8	\$154.5		\$4.4	\$145.6		\$1.7	\$68.0
2011		\$4.8	\$167.1		\$4.4	\$157.3		\$1.7	\$73.1
2012		\$4.8	\$180.2		\$4.4	\$169.6		\$1.7	\$78.4
2013		\$4.8	\$194.1		\$4.4	\$182.5		\$1.7	\$84.0
2014		\$4.8	\$208.6		\$4.4	\$196.1		\$1.7	\$89.8
2015		\$4.8	\$223.8		\$4.4	\$210.3		\$1.7	\$95.9
2016		\$4.8	\$239.9		\$4.4	\$225.2		\$1.7	\$102.4
2017		\$4.8	\$256.7		\$4.4	\$240.9		\$1.7	\$109.2
2018		\$4.8	\$274.3		\$4.4	\$257.4		\$1.7	\$116.3
2019		\$4.8	\$292.8		\$4.4	\$274.7		\$1.7	\$123.7
2020	\$11.1		\$307.5		\$4.4	\$292.8		\$1.7	\$131.6
2021	\$51.2		\$311.2	\$11.1		\$307.5		\$1.7	\$139.8
2022	\$51.2		\$273.0	\$51.2		\$311.2		\$1.7	\$148.4
2023	\$51.2		\$232.9	\$51.2		\$273.0		\$1.7	\$157.5
2024	\$51.2		\$190.7	\$51.2		\$232.9		\$1.7	\$167.0
2025	\$51.2		\$146.5	\$51.2		\$190.7		\$1.7	\$177.0
2026	\$51.2		\$100.0	\$51.2		\$146.5		\$1.7	\$187.5
2027	\$51.2		\$51.2	\$51.2		\$100.0		\$1.7	\$198.6
2028			\$0.0	\$51.2		\$51.2		\$1.7	\$210.1
2029						\$0.0		\$1.7	\$222.3
2030								\$1.7	\$235.1
2031								\$1.7	\$248.5
2032								\$1.7	\$262.6
2033								\$1.7	\$277.3
2034								\$1.7	\$292.8
2035							\$11.1		\$307.5
2036							\$51.2		\$311.2
2037							\$51.2		\$273.0
2038							\$51.2		\$232.9
2039							\$51.2		\$190.7
2040							\$51.2		\$146.5
2041							\$51.2		\$100.0
2042							\$51.2		\$51.2
2043									\$0.0
<b>Total</b>	<b>\$369.7</b>			<b>\$369.7</b>			<b>\$369.7</b>		

Note: All amounts in millions of dollars  
All dollars stated in real dollars

TVA's letter to NRC dated March 31, 2005

ENCLOSURE 2

**SECOND AMENDMENT TO THE  
TENNESSEE VALLEY AUTHORITY  
MASTER DECOMMISSIONING TRUST AGREEMENT**

This Second Amendment to the Tennessee Valley Authority Master Decommissioning Trust Agreement made as of the 17th day of December, 2003, between the TENNESSEE VALLEY AUTHORITY, a corporate agency and instrumentality of the United States, created and existing pursuant to the Tennessee Valley Authority Act of 1933, 16 U.S.C. 831-831ec (2000) (hereafter "TVA") and MELLON BANK, N.A. (hereafter "Trustee").

**RECITALS**

WHEREAS, TVA established the Tennessee Valley Authority Master Decommissioning Trust Agreement as of August 18, 2000 (as amended as of July 19, 2002, the "Agreement"); and

WHEREAS, TVA wishes to amend the Agreement pursuant to section 10.05 of the Agreement to add certain language consistent with applicable provisions of the Nuclear Regulatory Commission's Final Rule with respect to Decommissioning Trust Provisions as amended and published on November 20, 2003;

NOW, THEREFORE, in consideration of the mutual promise herein contained, TVA and the Trustee hereby agree to amend the Agreement as follows:

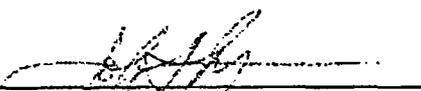
1. A new section 4.06 is added that reads as follows: "4.06 NRC Notice. Notwithstanding the foregoing, except for withdrawals being made under 10 CFR 50.82(a)(8) or for payments of ordinary administrative costs (including taxes) and other incidental expenses of any Fund (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of the Master Trust, no disbursement or payment from any Fund shall be made: (1) unless TVA gives NRC 30 working days prior written notice of such payment or (2) if TVA receives written notice of an objection to such payment from NRC's Director of the Office of

Nuclear Reactor Regulation or the Director of the Office of Nuclear Material and Safeguards, as applicable.”

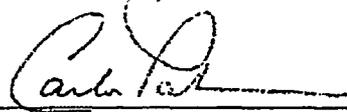
2. TVA and the Trustee hereby each represents and warrants to the other that it has full authority to enter into this Second Amendment upon the terms and conditions hereof and that the individual executing this Second Amendment on its behalf has the requisite authority to bind it to this Second Amendment.

**IN WITNESS WHEREOF**, the parties hereto have each caused this Second Amendment to be executed by its duly authorized officer as of the date first above written.

**TENNESSEE VALLEY AUTHORITY**

By:   
\_\_\_\_\_  
John F. Rymer  
Title: Senior Manager, Cash Management

**MELLON BANK, N.A.**

By:   
\_\_\_\_\_  
Carlos Pacheco  
Title: Vice President