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March 31, 2005

U.S. Nuclear Regulatory Commission  
Attn: Document Control Desk  
Mail Station OP1-17  
Washington, DC 20555

**SUSQUEHANNA STEAM ELECTRIC STATION  
DECOMMISSIONING REPORT OF  
FINANCIAL ASSURANCE**

**Docket Nos. 50-387 and 50-388**

In accordance with 10 CFR 50.75(f)(1), Allegheny Electric Cooperative, Inc. hereby submits its decommissioning report of financial assurance for our 10 percent interest in Susquehanna Units 1 and 2.

If you have any questions regarding the report, please contact me at 717-920-1111.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth W. Kammeier".

Kenneth W. Kammeier

Enclosure: Decommissioning Report

cc: NRC Region I  
Mr. D. J. Allard, PA DEP  
Mr. R. V. Guzman, NRC Project Manager  
Mr. S. Hansell, NRC Sr. Resident Inspector  
Mr. M. Dusaniwskyj, NRC – OWF

A001



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**NRC Decommissioning Funding Status Report  
December 31, 2004**

**(Allegheny Electric Cooperative, Inc.)  
Susquehanna Steam Electric Station**

Allegheny Electric Cooperative, Inc. (AEC) hereby submits this decommissioning report in compliance with 10 CFR 50.75(f)(1) for its 10 percent share of Susquehanna Units 1 and 2 located in Berwick, Pennsylvania.

AEC has analyzed its current funding levels and planned contributions for both its share of decommissioning Units 1 and 2. AEC has concluded that these funding levels and planned contributions will be sufficient to pay for its share of the decommissioning costs of each unit at the time permanent termination of operations is expected for each unit, when taking into account trust fund earnings and decommissioning cost inflation.

Information is submitted to provide Financial Assurance	<u>Unit 1</u>	<u>Unit 2</u>
1. The minimum amount of decommissioning funds estimated to be required pursuant to 10 CFR 50.75(b) and (c). At December 31, 2004  AEC's calculation of the NRC minimum formula is reflected in Exhibit 1.	\$47,101,500	\$47,101,500
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). Market Value at December 31, 2004	\$12,960,398	\$12,960,398
3. See Exhibit 2 for a schedule of the annual amounts remaining to be collected.		
4. The assumptions used regarding escalation in decommissioning cost, rates of earnings on decommissioning funds, and rates of other factors used in funding projections. Estimated Inflation rate for decommissioning costs Estimated Earnings rates on decommissioning funds Rates of other factors used in funding projections  AEC sets its own rates, subject to the approval of the U.S. Department of Agriculture, Rural Utilities Service. AEC believes the above assumptions are reasonable.	4% 7.5% (None)	4% 7.5% (None)
5. Any power sale contracts upon which licensee is relying to provide financial assurance.  AEC is the wholesale power supplier for the 14 rural electric cooperatives in Pennsylvania and New Jersey. AEC has All-requirements contracts with its 14 member distribution cooperatives, which is the source for funding the Trust Fund.	(see below)	(see below)

6. Modifications to licensee's method of providing financial assurance since previous report.	None	None
7. Material changes to trust agreement.	None	None

**Calculation of Escalation Factors  
Used in Computation of Minimum Financial Assurance  
Amount for Decommissioning  
Susquehanna Steam Electric Station Units 1 and 2**

Boiling Water Reactor (BWR)  
Escalation Factor

Formula -  $0.65(L) + 0.13(E) + 0.22(B)$

Escalation =  $(0.65 \times 2.076) + (0.13 \times 1.495) + (0.22 \times 8.860)$   
 $= (1.349 + 0.194 + 1.949) = 3.489$

(L) - Labor - (Bureau of Labor Statistics, ECU 13102, Total Compensation, Private Industry, Northeast Region

Northeast region – Fourth Quarter 2004 Index Number	174.2
Scaling Factor (NRUEG 1307 Rev.10)	1.555
January 1986 Index Number	130.5

$L = \frac{(174.2 \times 1.555)}{130.5} = 2.076$

(E) - ENERGY (Producer Price Index Commodities, Series ID: WPU0543 and WPU0573)

$E = (0.54P + 0.46F)$   
 $E = (0.54 \times 1.349) + (0.46 \times 1.668)$   
 $E = 0.72846 + 0.76728 = 1.495$

P - Industrial Power, 500 KW demand - (Commodity 0543)

September 2004 Index Number	154.0
January 1986 Index Number	114.2 (1)

$P = \frac{154.0}{114.2} = 1.349$

F - Light fuel oils - (Commodity 0573)

September 2004 Index Number	136.8
January 1986 Index Number	82.0

$F = \frac{136.8}{82.0} = 1.668$

(B) Waste Burial

NUREG - 1307, REV.10, "NRC Report on Waste Burial Charges"  
 Table 2.1  
 South Carolina Factor 8.860

(1) Represents the national base value of P at January 1986. The base value of P is no longer determined on a regional basis.

**Exhibit 1****Computation of Minimum Financial Assurance Amount  
for Decommissioning Susquehanna Steam Electric Station Units 1 and 2**

	<b>Unit 1</b>	<b>Unit 2</b>
Base amount for BWR greater than 3,400 MWt = \$135 million	\$135,000,000	\$135,000,000
The Power Level of Unit 1 and Unit 2 is = 3,489 MWt		
Ownership percentage	10%	10%
Base amount per unit	\$13,500,000	\$13,500,000
Escalation Factor	3.489	3.489
Escalated Amount per Unit	\$47,101,500	\$47,101,500
Total Escalated Amount (Unit 1 + Unit 2)		\$94,203,000

**Exhibit 2****AEC Nuclear Decommissioning Trust  
Expected Contributions**

<b>Year</b>	<b>Unit 1</b>	<b>Unit 2</b>	<b>Total</b>
2005	\$888,880	\$888,880	\$1,777,759
2006	\$946,657	\$946,657	\$1,893,313
2007	\$1,008,189	\$1,008,189	\$2,016,379
2008	\$1,073,722	\$1,073,722	\$2,147,443
2009	\$1,143,514	\$1,143,514	\$2,287,027
2010	\$1,217,842	\$1,217,842	\$2,435,684
2011	\$1,297,002	\$1,297,002	\$2,594,003
2012	\$1,381,307	\$1,381,307	\$2,762,614
2013	\$1,471,092	\$1,471,092	\$2,942,183
2014	\$1,566,713	\$1,566,713	\$3,133,425
2015	\$1,668,549	\$1,668,549	\$3,337,098
2016	\$1,777,005	\$1,777,005	\$3,554,009
2017	\$1,892,510	\$1,892,510	\$3,785,020
2018	\$2,015,523	\$2,015,523	\$4,031,046
2019	\$2,146,532	\$2,146,532	\$4,293,064
2020	\$2,286,057	\$2,286,057	\$4,572,113
2021	\$2,434,650	\$2,434,650	\$4,869,301
2022	\$2,592,903	\$2,592,903	\$5,185,805
2023	\$0	\$2,761,441	\$2,761,441
<b>2005-2023</b>	<b>\$28,808,644</b>	<b>\$31,570,086</b>	<b>\$60,378,730</b>