

**Southern Nuclear
Operating Company, Inc.**
Post Office Box 1295
Birmingham, Alabama 35201-1295
Tel 205.992.5000

March 23, 2007



Docket Nos.: 50-348
50-364

NL-07-0678

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

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

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. Southern Nuclear Operating Company (Southern Nuclear) holds operating licenses NPF-2 and NPF-8 for the Joseph M. Farley Nuclear Plant owned by Alabama Power Company. Accordingly, Southern Nuclear provides the enclosed Alabama Power Company submittal in accordance with the requirements of 10 CFR 50.75(f)(1).

Should you have any questions concerning this matter, please contact me at 205.992.7870.

Sincerely,

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

B. J. George
Manager, Nuclear Licensing

BJG/TWS/daj

U. S. Nuclear Regulatory Commission
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Enclosure: Alabama Power Company Letter dated March 5, 2007

cc: Southern Nuclear Operating Company
Mr. J. T. Gasser, Executive Vice President
Mr. D. H. Jones, Vice President – Engineering
Ms. K. S. King, Chief Financial Officer, VP Corporate Services
RTYPE: CFA04.054; LC# 14560

U. S. Nuclear Regulatory Commission
Dr. W. D. Travers, Regional Administrator
Ms. K. R. Cotton, NRR Project Manager – Farley
Mr. E. L. Crowe, Senior Resident Inspector – Farley

Alabama Power Company
Mr. A. P. Beattie, Executive Vice President, Chief Financial Officer and Treasurer
Mr. J. R. DeRieux, Assistant Treasurer and Manager – Treasury/Finance

Enclosure

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

Alabama Power Company Letter dated March 5, 2007

J. Randy DeRieux
Assistant Treasurer and
Manager —
Treasury/Finance

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Post Office Box 2641
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Tel 205.257.2454
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U. S. Nuclear Regulatory Commission
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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,

J. Randy DeRieux

JRD/TWS

Enclosure

cc: Southern Nuclear Operating Company

Mr. J. T. Gasser, Executive Vice President

U. S. Nuclear Regulatory Commission
Dr. W. D. Travers, Regional Administrator
Ms. K. R. Cotton, NRR Project Manager – Farley
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	\$ 324,660,000 ²	\$ 324,660,000 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).	\$262,049,575	\$251,471,176
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% 7.0% 2.5% N/A	4.5% 7.0% 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.	No modifications 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. 11, for the burial factor (Option 2) and the December 2005 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
2005					324,660,000
2006				262,049,575	339,269,700
2007	262,049,575	18,343,470	464,149	280,857,194	354,536,837
2008	280,857,194	19,660,004	464,149	300,981,347	370,490,994
2009	300,981,347	21,068,694	464,149	322,514,190	387,163,089
2010	322,514,190	22,575,993	464,149	345,554,332	404,585,428
2011	345,554,332	24,188,803	464,149	370,207,285	422,791,772
2012	370,207,285	25,914,510	464,149	396,585,944	441,817,402
2013	396,585,944	27,761,016	464,149	424,811,109	461,699,185
2014	424,811,109	29,736,778	464,149	455,012,035	482,475,648
2015	455,012,035	31,850,842	464,149	487,327,027	504,187,052
2016	487,327,027	34,112,892	464,149	521,904,068	526,875,470
2017	521,904,068	36,533,285	464,149	558,901,501	550,584,866
2018	558,901,501	39,123,105	464,149	598,488,755	575,361,185
2019	598,488,755	41,894,213	464,149	640,847,117	601,252,438
2020	640,847,117	44,859,298	464,149	686,170,565	628,308,798
2021	686,170,565	48,031,940	464,149	734,666,653	656,582,694
2022	734,666,653	51,426,666	464,149	786,557,468	686,128,915
2023	786,557,468	55,059,023	464,149	842,080,640	717,004,716
2024	842,080,640	58,945,645	464,149	901,490,433	749,269,929
2025	901,490,433	63,104,330	464,149	965,058,913	782,987,075
2026	965,058,913	67,554,124	464,149	1,033,077,186	818,221,494
2027	1,033,077,186	72,315,403	464,149	1,105,856,738	855,041,461
2028	1,105,856,738	77,409,972	464,149	1,183,730,858	893,518,327
2029	1,183,730,858	82,861,160	464,149	1,267,056,167	933,726,651
2030	1,267,056,167	88,693,932	464,149	1,356,214,248	975,744,351
2031	1,356,214,248	94,934,997	464,149	1,451,613,394	1,019,652,846
2032	1,451,613,394	101,612,938	464,149	1,553,690,481	1,065,537,225
2033	1,553,690,481	108,758,334	464,149	1,662,912,964	1,113,486,400
2034	1,662,912,964	116,403,907	464,149	1,779,781,020	1,163,593,288
2035	1,779,781,020	124,584,671	464,149	1,904,829,840	1,215,954,986
2036	1,904,829,840	133,338,089	464,149	2,038,632,078	1,270,672,960
2037	2,038,632,078	142,704,245	464,149	2,181,800,473	1,327,853,243

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
2005					324,660,000
2006				251,471,176	339,269,700
2007	251,471,176	17,602,982	402,004	269,476,162	354,536,837
2008	269,476,162	18,863,331	402,004	288,741,498	370,490,994
2009	288,741,498	20,211,905	402,004	309,355,407	387,163,089
2010	309,355,407	21,654,878	402,004	331,412,289	404,585,428
2011	331,412,289	23,198,860	402,004	355,013,153	422,791,772
2012	355,013,153	24,850,921	402,004	380,266,078	441,817,402
2013	380,266,078	26,618,625	402,004	407,286,707	461,699,185
2014	407,286,707	28,510,070	402,004	436,198,781	482,475,648
2015	436,198,781	30,533,915	402,004	467,134,700	504,187,052
2016	467,134,700	32,699,429	402,004	500,236,133	526,875,470
2017	500,236,133	35,016,529	402,004	535,654,666	550,584,866
2018	535,654,666	37,495,827	402,004	573,552,496	575,361,185
2019	573,552,496	40,148,675	402,004	614,103,175	601,252,438
2020	614,103,175	42,987,222	402,004	657,492,401	628,308,798
2021	657,492,401	46,024,468	402,004	703,918,874	656,582,694
2022	703,918,874	49,274,321	402,004	753,595,199	686,128,915
2023	753,595,199	52,751,664	402,004	806,748,867	717,004,716
2024	806,748,867	56,472,421	402,004	863,623,291	749,269,929
2025	863,623,291	60,453,630	402,004	924,478,926	782,987,075
2026	924,478,926	64,713,525	402,004	989,594,454	818,221,494
2027	989,594,454	69,271,612	402,004	1,059,268,070	855,041,461
2028	1,059,268,070	74,148,765	402,004	1,133,818,839	893,518,327
2029	1,133,818,839	79,367,319	402,004	1,213,588,162	933,726,651
2030	1,213,588,162	84,951,171	402,004	1,298,941,337	975,744,351
2031	1,298,941,337	90,925,894	402,004	1,390,269,235	1,019,652,846
2032	1,390,269,235	97,318,846	402,004	1,487,990,085	1,065,537,225
2033	1,487,990,085	104,159,306	402,004	1,592,551,395	1,113,486,400
2034	1,592,551,395	111,478,598	402,004	1,704,431,997	1,163,593,288
2035	1,704,431,997	119,310,240	402,004	1,824,144,241	1,215,954,986
2036	1,824,144,241	127,690,097	402,004	1,952,236,342	1,270,672,960
2037	1,952,236,342	136,656,544	402,004	2,089,294,889	1,327,853,243
2038	2,089,294,889	146,250,642	402,004	2,235,947,536	1,387,606,639
2039	2,235,947,536	156,516,327	402,004	2,392,865,867	1,450,048,938
2040	2,392,865,867	167,500,611	402,004	2,560,768,482	1,515,301,140
2041	2,560,768,482	179,253,794	402,004	2,740,424,280	1,583,489,691

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
- January 2005 Suspended external semi-annual contributions to the Qualified Master Nuclear Decommissioning Trust and the Nonqualified Master Nuclear Decommissioning Trust as directed by the Alabama Public Service Commission
- May 2005 The NRC granted the Company a 20-year extension of the operating license for both units at Plant Farley
- February 2006 Executed Investment Management Agreement with AllianceBernstein for the Qualified Master Nuclear Decommissioning Trust replacing Northern Trust