



A Touchstone Energy® Cooperative



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March 21, 2007

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), we are submitting Allegheny Electric Cooperative, Inc.'s 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) 233-5704.

Sincerely,

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

Kenneth W. Kammeier
Vice President - Finance & Accounting

Attachment: 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

NRC Decommissioning Funding Status Report December 31, 2006

Allegheny Electric Cooperative, Inc. Susquehanna Steam Electric Station

Allegheny Electric Cooperative (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.

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, 2006 AEC's calculation of the NRC minimum formula is reflected in Exhibit 1.	\$53,203,500	\$53,203,500
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, 2006	\$16,307,422	\$16,307,422
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 and 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 One and Two**

Boiling Water Reactor (BWR)
Escalation Factor

$$\text{Formula - } 0.65(L) + 0.13(E) + 0.22(B)$$

$$\text{Escalation} = (0.65 \times 2.210) + (0.13 \times 1.995) + (0.22 \times 10.206)$$

$$\text{Escalation} = (1.437 + 0.259 + 2.245) = 3.941$$

(L) - Labor - (NUREG-1307, Revision 12, Table 3.2 - Regional Factors for Labor Cost Adjustment, Northeast Region)

$$L_x (\text{September 2006}) = 2.210$$

(E) - Energy (Producer Price Index Commodities, Series ID: wpu543 and wpu0573)

$$E = (0.54P + 0.46F)$$

$$E = (0.54 \times 1.585) + (0.46 \times 2.477)$$

$$E = 0.856 + 1.139 = 1.995$$

P - Industrial Electric Power (wpu0543)

September 2006 Index Number	181.0
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January 1986 Index Number	114.2 (1)
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$$P = \frac{181.0}{114.2} = 1.585$$

F - Light Fuel Oils - (wpu0573)

September 2006 Index Number	203.1
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January 1986 Index Number	82.0
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$$F = \frac{203.1}{82.0} = 2.477$$

(B) Waste Burial

NUREG - 1307, REV.12, "Table 2.1 - Values of Bx as a Function of LLW
Burial Site, Waste Vendor, and Year: Bx Values for South Carolina Site
(Barnwell), Non-Atlantic Compact, Direct Disposal with Vendors)

South Carolina Factor	10.206
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- (1) Represents the national base value of P at January 1986. The base value of P is no longer determined on a regional basis.

**Computation of Minimum Financial Assurance Amount
for Decommissioning Susquehanna Steam Electric Station Units One and Two**

	Unit 1	Unit 2
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	3.941	3.941
Escalated Amount per Unit	\$53,203,500	\$53,203,500
Total Escalated Amount (Unit 1 + Unit 2)		\$106,407,000

**AEC Nuclear Decommissioning Trust
Expected Contributions**

Year	Unit 1	Unit 2	Total
2007	\$1,008,190	\$1,008,190	\$2,016,379
2008	\$1,073,722	\$1,073,722	\$2,147,444
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	\$2,594,004
2012	\$1,381,307	\$1,381,307	\$2,762,614
2013	\$1,471,092	\$1,471,092	\$2,942,184
2014	\$1,566,713	\$1,566,713	\$3,133,426
2015	\$1,668,549	\$1,668,549	\$3,337,099
2016	\$1,777,005	\$1,777,005	\$3,554,010
2017	\$1,892,510	\$1,892,510	\$3,785,021
2018	\$2,015,523	\$2,015,523	\$4,031,047
2019	\$2,146,532	\$2,146,532	\$4,293,065
2020	\$2,286,057	\$2,286,057	\$4,572,114
2021	\$2,434,651	\$2,434,651	\$4,869,302
2022	\$2,592,903	\$2,592,903	\$5,185,806
2023		\$2,761,442	\$2,761,442
2007-2023	\$26,973,112	\$29,734,554	\$56,707,666