

March 28, 2007

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Mail Stop P1-137
Washington, DC 20555-0001

Ladies and Gentlemen:

ULNRC-05381



**DOCKET NUMBER 50-483
CALLAWAY PLANT UNIT 1
UNION ELECTRIC CO.
FACILITY OPERATING LICENSE NPF-30
NUCLEAR DECOMMISSIONING FUNDING STATUS 10 CFR 50.75(f)(1)**

The enclosed report provides a decommissioning funding status for Callaway Plant. This report is submitted in accordance with 10 CFR 50.75(f)(1).

This letter does not contain new commitments.

Sincerely,

A handwritten signature in black ink, appearing to read "D. T. Fitzgerald".

David T. Fitzgerald
Manager – Regulatory Affairs

PMB/jdg

Enclosure

A001

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***(Certrec receives ALL attachments
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NRC Decommissioning Funding Status Report – 2007

10 CFR 50.75(f) (1) requires each power reactor licensee to report to the NRC on a calendar year basis, beginning on March 31, 1999, and every 2 years thereafter, on the status of its decommissioning funding for each reactor or share of reactor it owns. Union Electric Company d/b/a AmerenUE (“AmerenUE”) hereby reports the decommissioning funding status for its Callaway Plant.

1. The minimum decommissioning cost estimates, pursuant to 10 CFR 50.75 (b) and (c)¹, are \$358,000,000 based on the use of waste vendors and \$681,500,000 based on direct burial². The most recent site-specific study for decommissioning of the Callaway Plant was performed in August, 2005 and it calculated a decommissioning cost estimate of \$586,515,200 in terms of 2005 dollars. AmerenUE considers this site-specific decommissioning cost estimate of \$586,515,200 as the estimate for which funding adequacy must be assured. Due to its site-specific nature, it is a more accurate estimate of projected decommissioning costs. It reflects the use of waste vendors for a portion of the low-level waste disposal and is within the range of values derived in accordance with 10 CFR 50.75 (b) and (c). It is also more conservative as it includes full green fielding of the site. Approximately 81.7% of the site specific cost estimate is associated with physical decontamination and dismantling such that the license can be terminated. Management and transfer of spent fuel accounts for 6.3% of the site specific cost estimate. The remaining 12.0% is for demolition of designated structures and limited site restoration.
2. The amount accumulated in the decommissioning fund to the end of calendar year preceding the date of this report for items included in 10 CFR 50.75 (b) and (c): \$268,006,600 after tax liquidation value.

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 The indicated cost estimates are based on December 2006 labor and energy escalation factors and burial factors contained in NUREG 1307, Revision 11, published in June 2005.

3. The schedule of the annual amounts remaining to be collected for items in 10 CFR 50.75 (b) and (c): \$6,758,605 per year for year 2007 through year 2023. Only \$5,068,954 will be collected for year 2024 as Callaway Plant's operating license expires October 18, 2024 and the collection will not be for a full year.³
4. The Company used the following investment and return assumptions in its funding adequacy analysis filed with the Missouri Public Service Commission ("MPSC") in Case No. 2006-0098 and these values are being provided for your information⁴:

• Total decommissioning cost estimate:	\$586,515,200
• Base year of the cost estimate:	2005
• Federal income tax rate:	20%
• State income tax rate:	0%
• Composite federal & state income tax rate:	20%
• Projected investment management and trust fees:	15.00 basis points
• Asset allocation:	65% equities 35% bonds
• Real rate of return on bonds:	3.50%
• CPI Inflation:	2.75%
• Equity premium over bonds:	5.00%
• Year in which divestiture from equity investments occurs:	2022

Based on the foregoing assumptions, the anticipated annual decommissioning contributions of \$6,758,605 would be adequate up to an annual decommissioning inflation rate of 3.792%. The annualized rate of earning on decommissioning fund return (pre-tax and fee) required at the above level of inflation is 8.6404%.

5. Any contracts upon which the licensee is relying on pursuant to 10 CFR 50.75 (e)(1)(v): None

³ The indicated \$6,758,605 amount represents the annual decommissioning contribution for the combined Missouri and Wholesale jurisdictions. Effective January 9, 2006, the MPSC issued an order in Case No. 2006-0098 approving the continuation of the annual Missouri contribution amount at its current level of \$6,486,378. Missouri law requires the Company to file updated funding adequacy analyses every three years. The next such update is required by September 1, 2008. Therefore, the Missouri jurisdictional annual contribution amount could potentially be revised as a result of any MPSC orders issued in these future funding adequacy cases. An annual decommissioning contribution amount of \$272,227 is currently being made to the Wholesale account. The Federal Energy Regulatory Commission does not require any periodic reviews of the annual expense and contribution amount.

⁴ The funding adequacy analysis filed with the MPSC by the Company in this Case No. 2006-0098 was based on the indicated return assumptions and, as stated in a prior footnote, the order in this case approved the continuation of the annual Missouri contribution at its current level of \$6,486,378, as proposed by AmerenUE. The Missouri jurisdiction comprises about 97% of the decommissioning trust fund's valuation. The remaining 3% is comprised of Wholesale jurisdictional assets

6. Any modifications occurring to a licensee's current method of providing financial assurance since the last submitted report: None. (The Company has used the "External Sinking Fund" method since 1985.)
7. Any material changes to trust agreements: There have been no material changes to the qualified trust agreement since the last report. The non-qualified trust that was required by Illinois has been eliminated as AmerenUE no longer has customers in Illinois. This non-qualified trust was never funded.⁵

⁵ On February 10, 2005, the MPSC approved AmerenUE's proposed transfer of its Illinois electric and gas properties to an Illinois affiliate, AmerenCIPS. The closing date for the property transfer was May 2, 2005. In accordance with the MPSC Order, the tax-qualified decommissioning trust's Illinois jurisdictional sub-account was eliminated following the closing. Ninety-eight percent of the assets in the existing Illinois sub-account as of the closing date were reallocated to the Missouri sub-account and the remaining two percent were reallocated to the Wholesale sub-account. As a result of the transfer, AmerenUE no longer has any Illinois ratepayers and will no longer collect decommissioning contributions in Illinois for its Callaway Plant, which is located in Missouri. The decommissioning liability previously borne by the Illinois ratepayers was transferred to AmerenUE's Missouri and Wholesale customers. Decommissioning expenses collected from Missouri jurisdictional ratepayers was increased by \$272,194 annually in accordance with the MPSC Order to account for the increased decommissioning liability borne by the Missouri ratepayers following the property transfer.