

Indiana Michigan
Power Company
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January 12, 2004

AEP:NRC:4075
10 CFR 50.75

Docket Nos: 50-315

U. S. Nuclear Regulatory Commission
Director, Office of Nuclear Reactor Regulation
Mail Stop 5-E7
Washington, DC 20555-0001

Donald C. Cook Nuclear Plant Unit 1
NOTIFICATION OF WITHDRAWAL FROM DECOMMISSIONING TRUST
FUND STEAM GENERATOR DISPOSAL ACCOUNT

Pursuant to the requirements of 10 CFR 50.75(h)(2), Indiana Michigan Power Company (I&M) hereby provides notice of a withdrawal from the Steam Generator Disposal Account of the I&M Unit 1 Decommissioning Trust. Starting in February 2003, I&M established a segregated account within the I&M Decommissioning Trust to set aside funds for the specific purpose of the disposal of the Donald C. Cook Nuclear Plant Unit 1 steam generators removed from the plant in 2000. To meet the requirements of the state regulatory agencies, the funds are deposited in a segregated account, but they are still under the umbrella of the overall decommissioning trust agreement. Pursuant to the change to 10 CFR 50.75(h)(2) that was effective on December 24, 2003, the language for the trust agreement was changed to require that the Director, Office of Nuclear Reactor Regulations be notified at least 30 working days prior to any withdrawal from the trust, other than withdrawals under 10 CFR 50.82(a)(8) or for payments of ordinary administrative costs. The purpose of this letter is to provide that notification for a series of withdrawals that I&M will make during calendar year 2004.

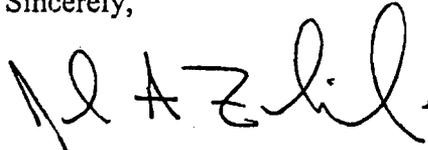
As described more fully in the attachment, the funds I&M proposes to withdraw were collected through rates for the defined purpose of paying for decommissioning, including steam generator disposal. A schedule of withdrawals is included in the attachment, with the first withdrawal occurring in November 2003 and the final withdrawal occurring in August 2004. Notification prior to the November and December 2003 withdrawals was not required as the 10 CFR 50.75(h)(2) requirement was not in effect. The funds to be withdrawn were placed in the decommissioning trust in a segregated account for the purpose of steam generator disposal.

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This letter contains no new commitments. Should you have any questions, please contact Mr. Brian D. Mann, Acting Manager of Regulatory Affairs, at (269) 697-5806.

Sincerely,



John A. Zwolinski
Director of Design Engineering and Regulatory Affairs

DB/rdw

Attachment: Notification of Withdrawal from Decommissioning Trust Fund
Steam Generator Disposal Account

c: J. L. Caldwell, NRC Region III
K. D. Curry, Ft. Wayne AEP, w/o attachment
Document Control Desk
J. T. King, MPSC, w/o attachment
MDEQ - WHMD/HWRPS, w/o attachment
NRC Resident Inspector
J. F. Stang, Jr., NRC Washington, DC

ATTACHMENT TO AEP:NRC:4075

NOTIFICATION OF WITHDRAWAL FROM DECOMMISSIONING TRUST FUND STEAM GENERATOR DISPOSAL ACCOUNT

Introduction

In 2000, Indiana Michigan Power Company (I&M) replaced the Donald C. Cook Nuclear Plant (CNP) Unit 1 steam generators, and the removed CNP Unit 1 steam generator lower assemblies (SGLAs) were stored on site. I&M has determined that instead of storing the SGLAs on site until ultimate disposal as part of site decommissioning activities, it is more cost effective to dispose of the SGLAs now. In 2003 a specific fund under the site decommissioning fund was created for near-term disposal of the SGLAs. I&M is preparing to begin disposal activities for the SGLAs and therefore must make withdrawals from this specific SGLA fund, which is part of the overall decommissioning fund.

Background

Many pressurized water reactors have replaced their SGLAs. It has been the general practice to store the removed SGLAs on site until plant decommissioning primarily because of treatment and disposal options. However, I&M has determined that it is more cost effective to dispose of the SGLAs now. The cost of disposing of the SGLAs in 2001 was estimated at \$8 million. A financial analysis presented below projects the future value cost of disposing of the SGLAs in 20 years to be up to \$54 million in current dollars. This is because the rate of increase in disposal costs is projected to be much greater than the rate of earnings licensees are allowed to assume on the decommissioning trust funds.

Another advantage of near term disposal is the increasingly limited availability of burial space. The Barnwell disposal site is the primary alternative for disposal of the Unit 1 SGLAs. There are several changes taking place at Barnwell that will limit the space in the near future and eliminate this option in a few years. The reasons for the limitation of the Barnwell site include:

- South Carolina is entering a low-level waste disposal compact with Connecticut and New Jersey, which will reduce the space available to other states.
- South Carolina has announced they will reduce the volume of low-level waste allowed to be disposed of at the Barnwell Site in preparation for closing the site.

I&M Decommissioning Trust Fund

I&M has been funding the trust fund at a level that exceeds NRC requirements. I&M's decommissioning cost estimate not only includes the radiological cleanup required by the NRC, but also includes dismantling the facilities and restoring the site as closely as possible to its natural state. The estimate also includes funds intended for ultimate storage and monitoring of spent nuclear fuel remaining on site following shutdown in the event the U. S. Department of Energy has not fulfilled its obligation to take custody of the spent fuel. Further, the most recent estimate filed by I&M with the State Commissions, on which current fund collections are based, specifically included the disposal cost for these replaced SGLAs. A review has been performed

of the decommissioning trust fund to verify compliance with 10 CFR 50.75(c). Once all of the scheduled withdrawals are made, I&M will still exceed the minimum decommissioning amount required by 10 CFR 50.75(c).

Financial Analysis of Disposal Costs Demonstrating Cost Savings

Assumptions regarding the cost of waste disposal to be used for NRC decommissioning purposes are documented in NUREG-1307; "Report on Waste Burial Charges," dated October 2002. In NUREG-1307, the cost of waste disposal is reported as rising at a rate much greater than inflation and much greater than a utility's ability to earn a return on that money. Conservatively, the real rate of disposal costs has risen almost 10% per year over the last 15 to 20 years. The real rate of return the NRC generally allows licensees to assume for external trust funds is 2% per year.

The CNP licenses currently expire in 2014 and 2017. According to I&M's latest decommissioning cost studies, the SGLAs would be shipped for disposal in approximately 20 years. Disposing of the SGLAs today is expected to cost \$8 million. Based on an annual cost escalation of approximately 10%, the future value of that disposal would be \$54 million. If the \$8 million remains in the trust fund with a 2% earning rate, it would have a value of \$12 million at the end of 20 years. This is equivalent to adding \$42 million (\$54M - \$12M) in current dollars to future decommissioning expenses. Extension of the current operating licenses will only increase this disparity. Disposing of the SGLAs now removes that potential increased liability. This provides additional assurance that the trust fund will remain viable at the time of decommissioning.

Withdrawal Schedule

The withdrawal from the trust will occur as a series of withdrawals which commenced in November 2003 and continue through August 2004. The schedule of estimated withdrawals is provided below.

<u>Date</u>	<u>Estimated Withdrawal</u>
November 2003	\$ 464,000.00
December	\$ 14,000.00
February 2004	\$ 467,000.00
March	\$ 16,000.00
April	\$ 36,000.00
May	\$ 80,000.00
June	\$ 551,000.00
July	\$ 3,063,000.00
August	\$ 3,695,000.00
Total	\$ 8,386,000.00

Conclusion

Pursuant to the change to 10 CFR 50.75(h)(2) that was effective on December 24, 2003, the language for the trust agreement was changed to require that the Director, Office of Nuclear Reactor Regulations be notified at least 30 days prior to any withdrawal from the trust, other than withdrawals under 10 CFR 50.82(a)(8) or for payments of ordinary administrative costs. The purpose of this letter is to provide that notification for a series of withdrawals that I&M will make during calendar year 2004.