

10 CFR 50.75(f)(1)

RS-10-106

June 24, 2010

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

Limerick Generating Station, Unit 1
Facility Operating License No. NPF-39
NRC Docket No. STN 50-352

Subject: Response to Request for Additional Information Regarding Status of Decommissioning Funding Assurance

- References:**
1. Letter from Patrick R. Simpson (Exelon Generation Company, LLC) to U.S. NRC, "Report on Status of Decommissioning Funding for Reactors," dated March 31, 2009
 2. Letter from Peter Bamford (U.S. NRC) to Charles Pardee (Exelon Generation Company, LLC), "Request for Additional Information Regarding Status of Decommissioning Funding Assurance," dated May 17, 2010

In Reference 2, the NRC requested additional information with respect to the decommissioning funding assurance status, submitted by Exelon Generation Company, LLC (EGC) in Reference 1, for Limerick Generating Station, Unit 1.

The requested information is contained in the Attachments to this letter.

There are no new regulatory commitments made in this letter.

A001
URR

June 24, 2010
U.S. Nuclear Regulatory Commission
Page 2

If you have any questions about this letter, please contact me at (630) 657-2823.

Respectfully,

A handwritten signature in black ink, appearing to read "Patrick R. Simpson", with a long horizontal flourish extending to the right.

Patrick R. Simpson
Manager - Licensing
Exelon Generation Company, LLC

Attachments: 1. Response to Request for Additional Information
2. PaPUC Approval of 3% Real Rate of Return

cc: Regional Administrator, USNRC Region I
USNRC Senior Resident Inspector, Limerick Generating Station

ATTACHMENT 1

RESPONSE TO NRC REQUEST FOR ADDITIONAL INFORMATION

Question 1

Please provide the schedule for the next filing of the Nuclear Decommissioning Cost Adjustment with the PaPUC, regarding LGS, Unit 1. If the PaPUC has been contacted regarding the shortfall, please submit any documentation that was provided to the PaPUC to the NRC. If the PaPUC has not been contacted regarding the shortfall, your response should include a statement that no contact has been made, and why.

Response to Question 1

As stated in Reference 1, the schedule for adjustment to the Nuclear Decommissioning Cost Adjustment (NDCA) for Limerick Generating Station, Unit 1, is made every five years in accordance with PaPUC Electric Tariff No. 3. The last adjustment was calculated and submitted to the PaPUC in the second half of 2007, and became effective on January 1, 2008. In accordance with the Tariff, the next NDCA calculation will be performed and submitted to the PaPUC in the second half of 2012, to take effect on January 1, 2013.

No official contact has been made with the PaPUC regarding the current status of decommissioning funding assurance for Limerick Generating Station Unit 1. The timing of the NDCA calculation was intentionally constructed to balance decommissioning funding assurance requirements, financial market volatility, and ratepayer interests. The five year interval was deemed to be adequate to ensure adequate funding was available at the time of decommissioning, and to capture any long-term market trends and changes in decommissioning cost estimates, without undue rate fluctuations seen by ratepayers. There have been no changes to the decommissioning liability or schedule that would affect the justification of the NDCA timing.

Question 2

Exelon reported the fund balances for the LGS, Unit 1 decommissioning trust as of December 31, 2008 as \$171.1 million. Please provide the following information for LGS, Unit 1 as of December 31, 2009: the amount of decommissioning funds estimated to be required under 10 CFR 50.75(b) and (c); the amount accumulated to the end of the calendar year; a schedule of the annual amounts remaining to be collected; the assumptions used regarding rates of escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections; any contracts upon which the licensee is relying under 10 CFR 50.75(e)(1)(v) of this section; any modifications occurring to Exelon's current method of providing financial assurance since the last submitted report; and any material changes to trust agreements.

Response to Question 2

Annual Radiological Decommissioning Funding Assurance Report for Limerick Generating Station, Unit 1

December 31, 2009
(2010 dollars, thousands)

Required Minimum at December 31, 2009 (A)	\$578,368
Trust Fund Amount at December 31, 2009 (B)	\$217,146
Unit 2 Shutdown Date	10/26/2024
Years to Unit 2 Shutdown (C)	14.820
Trust Fund Amount at Start of Decommissioning (D)	\$456,585
Decommissioning Period Earnings Credit (E)	\$52,478
Total Projected Trust Fund Amount (F) = (D) + (E)	\$509,063
Difference - Surplus/(Shortfall) (G) = (F) – (A)	(\$69,305)
Prepayment Difference – Surplus/(Shortfall) (H) = (G) / (1 + 3%) ^ (C)	(\$44,721)

- (1) The required minimum funding assurance amount is based on the formula in 10 CFR 50.75 (c)(1)(ii)
- (2) The trust fund amount at the start of decommissioning (D), includes an annual amount of \$7,170M, still to be collected from ratepayers through 2023.
- (3) A 3% annual real rate of return is assumed in these calculations. The Pennsylvania Public Utility Commission (PaPUC) approved this real rate of return as part of the approval of the restructuring plan for PECO Energy Company. (Letter from J. J. McNulty (PaPUC), "Approval of Restructuring Plan for PECO Energy Company under Section 2806 of the Public Utility Code; Docket No. R-00973953," to B. D. Crowe (PECO Energy Company) dated May 3, 2001, included as Attachment 2)
- (4) There are no contracts relied upon pursuant to 10 CFR 50.75(e)(1)(v).
- (5) There is no change to the method used to provide financial assurance. Financial assurance for decommissioning is provided by the external sinking fund method, in accordance with 10 CFR 50.75(e)(1)(ii). The funding mechanism being used as the source of revenues for the external sinking funds is a non-bypassable charge approved by the PaPUC authorizing PECO Energy Company to continue to collect decommissioning funds for EGC. Any needed adjustments to the amount collected will be made in the next filing of the Nuclear Decommissioning Cost Adjustment to the PaPUC. This cost adjustment is made every five years pursuant to PaPUC Electric Tariff No. 3. The last adjustment was effective January 1, 2008.
- (6) There are no material changes to the trust fund agreements.

References

1. Letter from Patrick R. Simpson (Exelon Generation Company, LLC) to U.S. NRC, "Report on Status of Decommissioning Funding for Reactors," dated March 31, 2009
2. Letter from Peter Bamford (U.S. NRC) to Charles Pardee (Exelon Generation Company, LLC), "Request for Additional Information Regarding Status of Decommissioning Funding Assurance," dated May 17, 2010

ATTACHMENT 2

PaPUC Approval of 3% Real Rate of Return



COMMONWEALTH OF PENNSYLVANIA
 PENNSYLVANIA PUBLIC UTILITY COMMISSION
 P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
 REFER TO OUR FILE

May 3, 2001

Brian D. Crowe, Director
 Regulatory & Government Affairs
 PECO Energy Company
 P.O. Box 8699
 Philadelphia, PA 19101-8699

DOCKETED
 MAY 08 2001

**Re: Approval of Restructuring Plan of PECO Energy Company under
 Section 2806 of the Public Utility Code; Docket No. R-00973953**

Dear Mr. Crowe:

By letter dated March 30, 2001, PECO Energy Company (PECO) requests the confirmation of one aspect of the Commission's Order adopted on December 11, 1997 in the above-captioned matter. Specifically, in connection with a filing to be made at the Nuclear Regulatory Commission (NRC), PECO has learned that the NRC allows only a 2% real earnings rate on decommissioning funds unless the state regulator determines that a different level is appropriate. PECO seeks confirmation from the Commission that a 3% real earnings rate was utilized in calculating the Company's annual nuclear decommissioning funding level of \$29,162,000 in the above-captioned proceeding. As you note, PECO intends only to verify the assumption used in the development of this decommissioning expense level and recognizes that such verification in no manner limits the Commission's ability to change such assumption in future proceedings.

In approving PECO's electric restructuring plan, with modifications, the Commission determined that the appropriate annual nuclear decommissioning funding level was \$29,162,000, which is reflected in Supplement No. 21 to Tariff Electric Pa. P.U.C. No. 3, First Revised Page No. 33. A review of the underlying documentation presented in the restructuring proceeding reveals that this amount was calculated on the basis of an earnings rate of 6.5% and a cost escalation rate of approximately 3.5% (GDP deflator) for a real earnings rate of 3%. Therefore, the Commission confirms that PECO's allowance of \$29,162,000 was based upon a real earnings rate of 3%.

**DOCUMENT
 FOLDER**

Very truly yours,

James J. McNulty
 James J. McNulty
 Secretary

cc: Law Bureau