



Callaway Plant

March 30, 2011

ULNRC-05775

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

10 CFR 50.75(f)(1)

Ladies and Gentlemen:

**DOCKET NUMBER 50-483
CALLAWAY PLANT UNIT 1
UNION ELECTRIC CO.
FACILITY OPERATING LICENSE NPF-30
STATUS OF DECOMMISSIONING FUNDING ASSURANCE**

Please find enclosed the 2011 biennial decommissioning funding status report for Callaway Plant. This report is submitted in accordance with 10 CFR 50.75(f)(1).

This letter does not contain any new commitments. If you have any questions on this report, please contact Mr. Tom Elwood at (314) 225-1905.

Sincerely,

Scott Maglio
Regulatory Affairs Manager

BFH/nls

Enclosure

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NRC Decommissioning Funding Status Report – 2011

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 Ameren Missouri (“Ameren Missouri”) 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 \$472,900,000 based on the use of waste vendors and \$819,700,000 based on direct burial². The most recent site-specific study for decommissioning of the Callaway Plant was performed in August 2008 and it calculated a decommissioning cost estimate of \$693,907,000 in terms of 2008 dollars. Ameren Missouri considers this site-specific decommissioning cost estimate of \$693,907,000 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 82.5% (\$572,473,275) 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 5.0% (\$34,695,350) of the site-specific cost estimate. The remaining 12.5% (\$86,738,375) 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) is \$318,849,332. This is an “after tax liquidation value” which reflects the final funds that would be received upon liquidation of the fund’s assets and the payment of income taxes on realized capital gains.

This decommissioning fund balance indicated above is a total amount intended to cover the full green fielding of the site. The funds in the trust fund are not segregated into those required for radiological decommissioning versus non-radiological decommissioning.

Missouri law requires the Company to file updated funding adequacy analyses every three years. The law also allows for the adjustment of the contributions to the decommissioning fund and for subsequent tariff adjustments to recover any changes in the decommissioning expense from ratepayers concurrent with these triennial funding adequacy filings, if necessary.

The Missouri law (4 CSR 240-20.070(1)) defining decommissioning does not limit it to radiological decommissioning, as follows:

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 2010 labor and energy escalation factors and burial factors contained in NUREG 1307, Revision 14, published in November 2010.

(1) As used in this rule, decommissioning means those activities undertaken in connection with a nuclear generating unit's retirement from service to ensure that the final removal, disposal, entombment or other disposition of the unit and of any radioactive components and materials associated with the unit, are accomplished in compliance with all applicable laws, and to ensure that the final disposition does not pose any undue threat to the public health and safety. Decommissioning includes the removal and disposal of the structures, systems and components of a nuclear generating unit at the time of decommissioning.

In past triennial filings, the Missouri Public Service Commission has accepted the site specific decommissioning cost estimates and the funding adequacy analyses based on full green fielding of the unit, as would be indicated under Missouri's legal definition of decommissioning. There is no basis for assuming any change in this practice in the future.

Consequently, it can be considered that the trust fund balance indicated is a total balance, not segregated on the basis of radiological versus non-radiological funding. As the Missouri mechanism for assuring funding adequacy and for recovering decommissioning expenses from ratepayers includes the non-radiological decommissioning expenses as well as the radiological expenses, it is not necessary to segregate the decommissioning fund balances. Any shortfalls in funding for full green fielding are expected to be recovered from ratepayers as part of the triennial funding adequacy updating process.

3. The schedule of the annual amounts remaining to be collected for items in 10 CFR 50.75 (b) and (c): \$6,486,378 per year for year 2011 through year 2023. Only \$4,864,783.50 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. 2009-0081 and these values are being provided for your information⁴:

- Total decommissioning cost estimate: \$693,907,000

³ Through December 31, 2010, the company was contributing a total of \$6,758,605 annually to the decommissioning trust fund. This was comprised of a \$6,486,378 annual Missouri jurisdictional contribution and a \$272,227 annual Wholesale jurisdictional contribution. Missouri law requires the Company to file updated funding adequacy analysis every three years. The last update filing was submitted September 2, 2008. Effective May 9, 2009, the MPSC issued an Order in Case No. EO-2009-0081 approving the continuation of the annual Missouri contribution amount at its then-current level of \$6,486,378. As of December 31, 2010, the Company Internal Revenue Service (IRS) Schedule of Ruling Amount for contribution to the Wholesale jurisdictional decommissioning fund expired. At this time, wholesale power sales are based on market pricing and do not contain a component for decommissioning expense. Consequently, no updated Schedule of Ruling Amount will be applied for and no further contributions to the Wholesale jurisdictional fund are anticipated. The next triennial funding adequacy update filing for the Missouri jurisdictional is required by September 1, 2011. It is anticipated that this filing will reflect the fact that Missouri is now responsible for 100% of the decommissioning liability, as opposed to the 98.38% allocation used in 2008 filing. It is likely that the required contribution amount will be increased as a result of this increase in decommissioning liability allocation. But, as of the date of this report, the schedule of annual amounts remaining to be collected reflects only the currently approved Missouri jurisdictional contribution of \$6,486,378 annually.

⁴ The funding adequacy analysis filed with the MPSC by the Company in this Case No. 2009-0081 was based on the indicated return assumptions. As stated in a prior footnote, an MPSC order in this case approved the continuation of the annual Missouri contribution at its current level of \$6,486,378, effective May 9, 2009. At the time of this update filing, the Missouri jurisdiction comprised about 98% of the decommissioning trust fund's valuation. The remaining 2% was comprised of Wholesale jurisdictional assets.

- Base year of the cost estimate: 2008
- 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: 3.90%
- CPI Inflation: 2.40%
- Equity premium over bonds: 4.50%
- Year in which divestiture
from equity investments occurs: 2022

Based on the foregoing assumptions, the anticipated annual decommissioning contributions of \$6,486,378 would be adequate up to an annual decommissioning inflation rate of 2.742%. The annualized rate of earning on decommissioning fund return (pre-tax and fee) required at the above level of inflation is 8.3962%.

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