

YANKEE ATOMIC ELECTRIC COMPANY

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49 Yankee Road, Rowe, Massachusetts 01367

March 25, 2013
BYR 2013-015
10 CFR 50.4
10 CFR 50.75(f)(1) and (2)
10 CFR 50.82(a)(8)(v) and (vi)

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

Yankee Atomic Electric Company
Yankee Nuclear Power Station Independent Spent Fuel Storage Installation
NRC License No. DPR-3 (NRC Docket Nos. 50-029 and 72-31)

Subject: Decommissioning Funding Assurance Status Report

On February 26, 1992, Yankee Atomic Electric Company (YAEC) informed the USNRC that the Board of Directors of YAEC had decided to permanently cease operations at the Yankee Nuclear Power Station and that fuel had been permanently removed from the reactor (Reference 1). In accordance with 10 CFR 50.82(a)(2), the certifications in the letter modified the YAEC license to permanently withdraw YAEC's authority to operate the reactor. In 1993, YAEC commenced decommissioning the power plant. On August 10, 2007, the NRC amended the YAEC license, releasing most of the formerly licensed land for unrestricted use, shrinking the licensed land to the Independent Spent Fuel Storage Installation (ISFSI) only (Reference 2). The only decommissioning activities that remain are those associated with the decommissioning of the Yankee Nuclear Power Station ISFSI, which is currently scheduled to be completed in calendar year 2022, after the Department of Energy (DOE) removes the irradiated fuel and Greater than Class C (GTCC) waste.

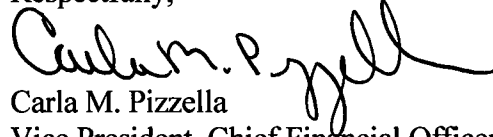
YAEC provides the attached Decommissioning Funding Assurance Status Report for the Yankee Nuclear Power Station ISFSI to comply with 10 CFR 50.75(f)(1) and (2) and 10 CFR 50.82(a)(8)(v) and (vi).

On March 27, 2012, YAEC submitted the YAEC Decommissioning Funding Assurance Status Report to the NRC for calendar year 2011 (Reference 3). It included information regarding the status of funding for the managing of irradiated fuel. Since that report was issued, a new reporting requirement regarding the status of the funding for managing irradiated fuel was codified in 10 CFR 50.82(a)(8)(vii). As a result, YAEC submitted a separate letter to the NRC on March 19, 2013, that provides the status of the funding for managing irradiated fuel (Reference 4).

NM5501
NM5524

If you have any questions regarding this letter, please do not hesitate to contact me at (860) 267-6426 x304.

Respectfully,



Carla M. Pizzella
Vice President, Chief Financial Officer, and Treasurer

Attachment:

Attachment - Decommissioning Funding Status Report for the Yankee Nuclear Power Station Independent Spent Fuel Storage Installation (Status as of 12/31/2012)

Commitment: This letter contains no regulatory commitments.

References:

1. A. C. Kadak (YAEC) letter to USNRC, "Permanent Cessation of Power Operations at the Yankee Nuclear Power Station," BYR 92-024, dated February 26, 1992
2. USNRC letter to Yankee Atomic Power Company, "Yankee Nuclear Power Station - Release of Land from Part 50 License," dated August 10, 2007
3. YAEC letter to NRC, "Decommissioning Funding Assurance Status Report – 10 CFR 50.75," BYR 2012-013, dated March 27, 2012
4. YAEC letter to NRC, "Status of Funding to Manage Irradiated Fuel and Greater than Class C Waste," BYR 2013-014, dated March 19, 2013

cc: W. M. Dean, NRC Region I Administrator
M. S. Ferdas, Chief, Decommissioning Branch, NRC, Region 1
J. Goshen, NRC Project Manager, Yankee Rowe
J. Giarrusso, Planning, Preparedness & Nuclear Section Chief, MEMA
J. Cope-Flanagan, Assistant General Counsel, MDPU
J. Reyes, State of Massachusetts Office of the Attorney General

BYR 2013-015

ATTACHMENT

DECOMMISSIONING FUNDING STATUS REPORT FOR THE
YANKEE NUCLEAR POWER STATION INDEPENDENT SPENT FUEL STORAGE
INSTALLATION
(STATUS AS OF 12/31/2012)

March 2013

Attachment to BYR 2013-015
Decommissioning Funding Status Report for the
Yankee Nuclear Power Station Independent Spent Fuel Storage Installation
(Status as of 12/31/2012)

10 CFR Requirement	Response	Comment
10 CFR 50.75(f)(1) and (2) Requirements		
1. The amount of decommissioning funds estimated to be required pursuant to 10 CFR 50.75(b) and (c).	\$8.5 million (in 2012 dollars)	<p>10 CFR 50.75(c) provides the calculation basis for determining minimum amounts of funding required to demonstrate reasonable assurance of funds for decommissioning. However, the methodology does not take into consideration work that has already been completed. In 1993, YAEC commenced decommissioning the power plant. On August 10, 2007, the NRC amended the YAEC license, releasing most of the formerly licensed land for unrestricted use, shrinking the licensed land to the Independent Fuel Storage Installation (ISFSI). Thus, the only decommissioning activities and decommissioning funding requirements that remain are those associated with the decommissioning of the Yankee Nuclear Power Station ISFSI, which is currently scheduled to be completed in calendar year 2022, after the Department of Energy (DOE) removes the irradiated fuel and Greater than Class C (GTCC) waste.</p> <p>On December 17, 2012, YAEC provided a decommissioning funding plan for the Yankee Nuclear Power Station ISFSI in accordance with 10 CFR 72.30(b)(2) that included a revised Decommissioning Cost Estimate (DCE) for the Yankee Nuclear Power Station ISFSI. Information regarding the status of funding for managing irradiated fuel and is addressed in a separate letter dated March 19, 2013.</p>
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(e)(1)(i).	\$8.6 million	Yankee Atomic Electric Company (YAEC) has established an account within its Nuclear Decommissioning Trust (NDT) entitled "ISFSI Radiological Decom" that segregates the funds for decommissioning of the ISFSI from the larger balance of funds for ongoing management of irradiated fuel and GTCC waste held in the NDT. The market balance only reflects the funds in the segregated account for decommissioning the ISFSI.
3. Schedule of the annual amounts remaining to be collected including amounts beyond those required in 10 CFR 50.75(e)(1)(i).	\$23.5 million (2013-2014)	On October 13, 2010, YAEC submitted its decommissioning cost estimate and schedule of decommissioning charges, ("2010 Rate Filing"), as it had committed to do in its 2006 Settlement with the Federal Energy Regulatory Commission (FERC). The 2010 Rate Filing demonstrated that the 2006 Cost Estimate remained a reasonable projection of costs upon which the Company could rely in calculating the rates necessary to fund the NDT. The 2010 Rate Filing noted ongoing uncertainties regarding prospective damage awards obtained from litigation with the "DOE", offsets to YAEC's funding needs, the

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10 CFR Requirement	Response	Comment
		DOE's commitment to remove YAEC's nuclear waste, and the timing of these key events. In light of these unknowns, along with the fact that the 2006 Settlement committed YAEC to file another update of decommissioning costs and charges by 2014, FERC issued an order accepting the 2010 Rate Filing and to maintain YAEC's current level of collections.
<p>4. The assumptions used regarding escalation of the decommissioning cost estimate, rates of earnings on decommissioning funds, and rates of other factors used in funding projections are:</p> <p>Annual escalation rate,</p> <p>Annual after-tax earnings rate on decommissioning trust funds, and</p> <p>other factors assumed</p>	<p>2.5%</p> <p>4.4%</p> <p>None</p>	No additional comments.
<p>5. Any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(ii)(A).</p>	Yes	YAEC is currently collecting funds through its power contracts and amendatory agreements under FERC regulation. The power contracts and the amendatory agreements specify the obligations of the purchasers for the costs of YAEC, including decommissioning costs. Such contracts have been filed with FERC.
<p>6. Any modifications to a licensee's current method of providing financial assurance occurring since the last submitted report.</p>	None	No additional comments.
<p>7. Any material changes to trust agreements.</p>	None	No additional comments.

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10 CFR Requirement	Response	Comment
10 CFR 50.82(a)(8)(v) (A) through (D) Requirements		
1. The amount spent on decommissioning, both: cumulative and over the previous calendar year	\$0 (Refer to Comment) \$0	<p>In 1993, YAEC commenced decommissioning the power plant. On August 10, 2007, the NRC amended the YAEC license, releasing most of the formerly licensed land for unrestricted use, shrinking the licensed land to the ISFSI. The only decommissioning activities that remain are those associated with the decommissioning of the Yankee Nuclear Power Station ISFSI, which is currently scheduled to be completed in calendar year 2022, after the DOE removes the irradiated fuel and GTCC waste.</p> <p>10 CFR 50.82(a)(8)(v) became effective on December 17, 2012. At that time, the only areas that are within the control of Operating License No. DPR-3 are those associated with the Yankee Nuclear Power Station ISFSI. Thus, YAEC is only presenting the information associated with the decommissioning of the areas that remain within the control of Operating License No. DPR-3.</p> <p>Presently, YAEC is storing irradiated fuel and GTCC waste on site until it is removed by the DOE. Decommissioning of the Yankee Nuclear Power Station ISFSI is currently scheduled to be completed in calendar year 2022, after the DOE removes the irradiated fuel and GTCC waste. Thus, the cumulative cost spent on decommissioning the Yankee Nuclear Power Station ISFSI is \$0, and the amount spent in calendar year 2012 is \$0.</p>
2. The remaining balance of any decommissioning funds.	\$8.6 million	<p>YAEC has established an account within its NDT entitled "ISFSI Radiological Decom" that segregates the funds for decommissioning of the ISFSI from the larger balance of funds for ongoing management of irradiated fuel and GTCC waste held in the NDT. This market balance only reflects the funds in the segregated account for decommissioning the ISFSI.</p>

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10 CFR Requirement	Response	Comment
<p>3. The amount provided by other financial assurance methods being relied upon.</p>	<p>\$0</p>	<p>As of 12/31/12, YAEC's NDT account entitled "ISFSI Radiological Decom" has a balance sufficient to cover the estimated cost of the remaining radiological decommissioning of the ISFSI. However, if in the future, the balance in the account is not fully funded to cover the estimated cost of the remaining radiological decommissioning of the ISFSI, the Company has several methods of obtaining additional funds, if required, to cover projected costs.</p> <p>First, YAEC is currently collecting funds through its power contracts and amendatory agreements under FERC regulation. The power contracts and the amendatory agreements specify the obligations of the purchasers for the costs of YAEC, including decommissioning. Pursuant to these power contracts, YAEC has the ongoing ability to seek collections from its purchasers for additional funds that may be required to cover these costs.</p> <p>Second, YAEC has received proceeds from the successful litigation of the first phase of its breach of contract damages claim against the DOE for failure to begin the removal of spent nuclear fuel (SNF) and GTCC waste from the site in 1998. A second damages claim is currently pending against the DOE relating to the government's continuing breach of contract and more claims are expected to be filed against the DOE as long as the DOE continues to breach its contract obligations related to SNF and GTCC waste. The Company believes that each of these claims will result in the receipt of proceeds that can be used to offset future costs, if required.</p> <p>Third, YAEC expects to utilize the investment return on Decommissioning Trust assets as a funding source. The current assumed rate of investment return, after fees and taxes, is 4.4%.</p>
<p>4. An estimate of the costs to complete decommissioning, reflecting any difference between actual and estimated costs for work performed during the year.</p>	<p>\$8.5 million (in 2012 dollars)</p>	<p>On December 17, 2012, YAEC provided a decommissioning funding plan in accordance with 10 CFR 72.30(b)(2) that included a revised DCE for the Yankee Nuclear Power Station ISFSI.</p>

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10 CFR Requirement	Response	Comment
5. The decommissioning criteria upon which the estimate is based	10 CFR 20.1402	The assumptions regarding the decommissioning cost estimate are provided in the DCE for the Yankee Nuclear Power Station ISFSI provided on December 17, 2012.
6. Any modifications occurring to a licensee's current method of providing financial assurance since the last submitted report.	None	This is the YAEC's first report submitted in accordance with 10 CFR 50.82(a)(8)(v). Previously, decommissioning funding status reports were submitted solely in accordance with 10 CFR 50.75(f)(1) and (2). This response indicates that there have been no changes in the method of providing financial assurance since the report submitted on March 27, 2012.
7. Any material changes to trust agreements or financial assurance contracts.	None	This is the YAEC's first report submitted in accordance with 10 CFR 50.82(a)(8)(v). Previously, decommissioning funding status reports were submitted solely in accordance with 10 CFR 50.75(f)(1) and (2). This response indicates that there have been no material changes to the trust agreements since the report submitted on March 27, 2012.

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10 CFR Requirement	Response	Comment
10 CFR 50.82(a)(8)(vi) Requirement		
<p>1. Additional financial assurance required to cover the estimate cost of completion.</p>	<p>None</p>	<p>As of 12/31/12, YAEC's NDT account entitled "ISFSI Radiological Decom" has a balance sufficient to cover the estimated cost of the remaining radiological decommissioning of the ISFSI. However, if in the future, the balance in the account is not fully funded to cover the estimated cost of the remaining radiological decommissioning of the ISFSI, the Company has several methods of obtaining additional funds, if required, to cover projected costs.</p> <p>First, YAEC is currently collecting funds through its power contracts and amendatory agreements under FERC regulation. The power contracts and the amendatory agreements specify the obligations of the purchasers for the costs of YAEC, including decommissioning. Pursuant to these power contracts, YAEC has the ongoing ability to seek collections from its purchasers for additional funds that may be required to cover these costs.</p> <p>Second, YAEC has received proceeds from the successful litigation of the first phase of its breach of contract damages claim against the DOE for failure to begin the removal of spent nuclear fuel (SNF) and GTCC waste from the site in 1998. A second damages claim is currently pending against the DOE relating to the government's continuing breach of contract and more claims are expected to be filed against the DOE as long as the DOE continues to breach its contract obligations related to SNF and GTCC waste. The Company believes that each of these claims will result in the receipt of proceeds that can be used to offset future costs, if required.</p> <p>Third, YAEC expects to utilize the investment return on Decommissioning Trust assets as a funding source. The current assumed rate of investment return, after fees and taxes, is 4.4%.</p>