



July 1, 2013

ULNRC-06009

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
RESPONSE TO REQUEST FOR ADDITIONAL INFORMATION
2013 CALLAWAY DECOMMISSIONING FUNDING STATUS REPORT (TAC NO. MF1216)**

- References: 1) ULNRC-05976 dated March 28, 2013
2) NRC Letter, "Request for Additional Information, RE: 2013
Decommissioning Funding Status Report (TAC No. MF1216),"
dated May 31, 2013

By the Reference 1 letter, Union Electric Company (Ameren Missouri) submitted the 2013 biennial Decommissioning Funding Status Report for Callaway Plant in accordance with 10 CFR 50.75(f)(1). By letter dated May 31, 2013 (Reference 2) NRC transmitted a request for additional information to provide clarifying information in regards to the Decommissioning Funding Status Report.

Enclosure 1 to this letter provides Ameren Missouri's response to the request for additional information.

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

Sincerely,


Scott Maglio
Regulatory Affairs Manager

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**Ameren Missouri Response to NRC Request for Additional Information
Related to 2013 Decommissioning Funding Status Report
for Callaway Plant - Unit 1**

By letter dated March 28, 2013 Union Electric Company (d/b/a Ameren Missouri) submitted the 2013 biennial Decommissioning Funding Status Report for Callaway Plant. The NRC subsequently issued a request for additional information (RAI) by letter dated May 31, 2013. Below are the individual information requests from that letter followed by Ameren Missouri's response.

RAI #1: Anticipated divestiture from equity investments

In its submittal, Union Electric Company provided a schedule of the annual amounts remaining to be collected for Callaway up until the end of plant life in 2024. However, as part of its investment and return assumptions provided within the DFS report, Union Electric Company stated that a divestiture from its equity investments will occur in 2023.

Under 10 CFR 50.75(e)(2):

The NRC reserves the right to [...] ensure a licensee's adequate accumulation of decommissioning funds ...

Please clarify the impact that the anticipated divestiture of equity investments in 2023 will have on the trust fund and future annual decommissioning contributions.

Response:

In the funding analysis that was presented to and approved by the Missouri Public Service Commission (MPSC) in the Company's 2011 triennial update filing, it was assumed that the fund would be transitioned out of equity investments at the end of 2023. The funding projections described in the 2013 NRC biennial report were based on the assumptions contained in this 2011 triennial update filing with the MPSC, including the 2023 equity divestiture assumption. Consequently, the effect of this divestiture date is embedded in all of the trust fund valuations and projections referenced in the NRC report.

The premise for divesting from equities prior to the decommissioning commencement date is to reduce the higher volatility risk associated with equity investments. For example, an equity market decline such as that which occurred in 2008¹ would have a significant negative impact on decommissioning funding ability should it occur immediately prior to the need for decommissioning funding and the decommissioning trust had a significant exposure to equity investments.

¹ The 2013 Ibbotson SBBI Classic Yearbook indicates that the total return for large company stocks was a negative 37.0% for 2008.

But, such reduction in risk comes with a price. Divestiture from the equity investments has the effect of reducing the fund's overall projected return in the years following the divestiture as equity investments are assumed to provide a return premium over fixed income investments.² In the funding analysis that was presented to and approved by the MPSC in the Company's 2011 triennial update filing, a 4.75% equity premium over fixed income investments was assumed. Thus, the earlier divestiture from equities takes place, the less volatility risk is assumed but more overall returns are reduced. The effect would be that earlier equity divestiture would result in increased funding requirements, all other factors being held constant.

In selecting an equity divestiture date of 2023, the Company feels that it has prudently minimized the risk of equity volatility while concurrently minimizing the reduction in returns.

RAI-2 Escalation of Costs to 2012 for Site-Specific Study

In its submittal, Union Electric Company provided a site-specific cost estimate for the amount of decommissioning funds estimated to be required; however, Union Electric Company did not provide the site-specific study in 2012 dollars.

As required under 10 CFR 50.75(e)(1)(i) and (ii), while providing the site-specific cost estimate in relation to the costs, the licensee must provide the site-specific cost estimate in current year dollars of the most current year.

Please provide the site specific cost estimate in 2012 dollars and describe the cost escalation factor(s) used to escalate the cost estimate to 2012 dollars in a total and year-to-year format.

Response:

In the 2013 biennial decommissioning funding status report submitted to the NRC, Ameren is using the NRC's three-factor formula for determining decommissioning fund adequacy. The site specific decommissioning study was provided for information only as part of the documentation presented to and approved by the Missouri Public Service Commission (MPSC) in the Company's 2011 triennial update filing.

The site specific study was conducted to comply with Missouri law which requires Ameren every three (3) years to perform and file with the MPSC cost studies detailing the utility's latest cost estimates for decommissioning its nuclear generating unit along

² The 2013 Ibbotson SBBI Classic Yearbook indicates that large company stocks provided an average annual return of 11.8% for the period of 1926 – 2012, with a standard deviation of 20.2%. Comparatively, long-term government bonds provided an average annual return of 6.1% at a standard deviation of 9.7% for the same time period.

with the funding levels necessary to defray these decommissioning costs. These studies are considered snap shots of the decommissioning cost and are used to determine if any changes are required in the contributions to the decommissioning fund. Due to the complexity of the study the use of cost escalation factor would introduce considerable uncertainty into the escalated cost. Since this study is conducted every three years, Ameren does not escalate the study cost estimates for the years between study periods.