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ENOC-13-00023
July 23, 2013

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

SUBJECT: **Response to Request for Additional Information**
2013 Decommissioning Fund Status Report – Entergy Nuclear Operations, Inc.

Big Rock Point
Docket 50-155

Palisades Nuclear Plant
Docket 50-255

Indian Point Nuclear
Generating Stations 1, 2, & 3
Dockets 50-3, 50-247 and 50-286

James A. FitzPatrick
Nuclear Power Plant
Docket 50-333

Pilgrim Nuclear Power Station
Docket 50-293

Vermont Yankee Nuclear Power Station
Docket 50-271

- REFERENCES:
1. Entergy letter ENOC-13-00007, "Decommissioning Funding Status Report – Entergy Nuclear Operations, Inc.," dated March 29, 2013 (ML13092A121).
 2. NRC letter D. Pickett to D. Mannai, "Request for Additional Information Regarding the Decommissioning Funding Status Report," dated July 5, 2013 (ML13179A462).

Dear Sir or Madam:

Entergy Nuclear Operations, Inc. (Entergy) submitted the biennial report of decommissioning funding status for plants operated by Entergy in Reference 1. The NRC Request for Additional Information (RAI) was provided Reference 2. The Entergy response to the RAI is provided in Attachment I.

This letter contains no new commitments. If you have any questions, please contact Mr. David Mannai, Senior Manager, Nuclear Safety & Licensing at 802-380-1175.

Sincerely,

JFM / DJM / KRK

A 001
FSME20
KRK
FSME

Attachment I: Response to Request for Additional Information for Entergy Nuclear Operations, Inc.

cc:

USNRC Regional Administrator, Region I
USNRC Regional Administrator, Region III

USNRC Project Manager, Indian Point 1
USNRC Project Manager, Indian Point 2 / 3
USNRC Project Manager, J. A. FitzPatrick
USNRC Project Manager, Palisades
USNRC Project Manager, Pilgrim
USNRC Project Manager, Vermont Yankee

USNRC Resident Inspector, Indian Point 2 / 3
USNRC Resident Inspector, J. A. FitzPatrick
USNRC Resident Inspector, Palisades
USNRC Resident Inspector, Pilgrim
USNRC Resident Inspector, Vermont Yankee

Michigan Department of Environmental Quality
Michigan Public Service Commission
NYS Department of Public Service
Vermont Department of Public Service
Downs Rachlin Martin PLLC / St. Johnsbury, VT

Mr. L. Jager Smith, P.E. (ECH)

ENOC-13-00023
ATTACHMENT I

RESPONSE TO REQUEST FOR ADDITIONAL INFORMATION
REGARDING 2013 DECOMMISSIONING FUNDING STATUS REPORT
FOR ENTERGY NUCLEAR OPERATIONS, INC.

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REGARDING 2013 DECOMMISSIONING FUNDING STATUS REPORT
FOR ENTERGY NUCLEAR OPERATIONS, INC.

On March 29, 2013, Entergy Nuclear Operations Inc. submitted the Decommissioning Funding Status Report (Agencywide Documents Access Management System No. ML13092A121) for the year ending on December 31, 2012, for Indian Point Nuclear Generating Unit Nos. 1, 2 and 3, Vermont Yankee Nuclear Power Station, Pilgrim Nuclear Power Station, James A. FitzPatrick Nuclear Power Plant, Palisades Nuclear Plant, and Big Rock Point.

NRC RAI #1: Amounts accumulated

Provide the after-tax amount of funds accumulated through December 31, 2012 for Indian Point Nuclear Generating Unit Nos. 1, 2, and 3, Vermont Yankee Nuclear Power Station, Pilgrim Nuclear Power Station, James A. FitzPatrick Nuclear Power Plant, Palisades Nuclear Plant, and Big Rock Point.

On March 29, 2013, Entergy did not state if the amount of decommissioning funds accumulated was an after-tax amount.

The provisions of 10 CFR 50.75(f)(1) and (2) require the licensee to report the amount of funds accumulated to the end of the calendar year preceding the report.

Entergy Response:

Entergy Nuclear Operations, Inc.'s March 29, 2013 report of the trust fund amounts [Reference 1] complied with the reporting requirements of 10 CFR §50.75(f)(1) in that it reported the market value of the decommissioning trust funds as of December 31, 2012. The trust fund amounts reported in the March 29, 2013 submission were the trust amounts as of December 31, 2012 net of any material current income tax liability on *realized* gains, interest, dividends and other income of the trusts as discussed below.

Indian Point 3 (IP3) and James A. FitzPatrick (JAF)

As described in the NRC's two orders approving the respective license transfers for IP3 and JAF from the Power Authority of the State of New York¹ (PASNY), PASNY retains "all rights, title, and legal and beneficial interest in the decommissioning trust fund for the facility[ies], while the trust fund[s] would remain at all times committed to the decommissioning of" IP3 and JAF. (See ADAMS Accession Nos. ML003767953 and ML003768011 at page 2 of the Orders Approving Transfer of License in each document). PASNY maintains a Master Decommissioning Trust (MDT) that holds investments for the eventual decommissioning of IP3 and JAF in the IP3 Unit Fund or the JAF Unit Fund, respectively. As an agency of the State of New York, PASNY incurs no income tax liability on the earnings of either the IP3 Unit Fund or the JAF Unit Fund. Accordingly, the amounts reported as of December 31, 2012 of funds accumulated in the PASNY MDT for the decommissioning of IP3 and JAF were after-tax amounts.

¹ d.b.a New York Power Authority (NYPA)

Big Rock Point (BRP)

The remaining decommissioning obligation existing at BRP is secured by a parent company guarantee, the amount of which would not be reduced by any taxes.

Indian Point 1 (IP1), Indian Point 2 (IP2), Vermont Yankee (VY), Pilgrim, and Palisades

IP1, IP2, VY, Pilgrim and Palisades are each beneficiaries of a MDT that holds assets in accounts (Funds) that are designated as either tax-qualified funds (QFs) or non tax-qualified funds (NQFs). The segregation is necessary to comply with tax laws that provide for a favorable tax regime for income taxes imposed on the taxable income of QFs.

NQFs

Each NQF is treated as a "Grantor" trust for income tax purposes. Consequently, the assets and the realized earnings of the NQF are regarded as owned directly by the owner of the plant, who is considered to be the Grantor. The Grantor is responsible both for including the realized earnings of the appropriate NQF in its taxable income and for the payment of income taxes imposed thereon. Accordingly, the amounts included in the reported amounts of funds accumulated through December 31, 2012 for all NQFs were net of taxes due on realized gains.

QFs

Each QF is treated as a separate corporate taxpayer that must file its own annual tax return on Form 1120-ND and pay its own income taxes. Each QF must make periodic installment payments of estimated income taxes during the year and pay any unpaid income tax for the previous year by March 15 of the following year.

The QFs for the specified plants made timely periodic tax payments in 2012, with the last payment being remitted to the Internal Revenue Service on or before December 15, 2012. In March 2013, the QFs for the specified plants remitted the following payments with respect to the balance of their 2012 tax liabilities:

| | |
|-----------|-----------|
| IP1 | \$ 59,000 |
| IP2 | \$ 70,000 |
| VY | \$ 7,000 |
| Pilgrim | \$ 54,000 |
| Palisades | \$ 22,000 |

Entergy does not deem the foregoing true-up payments to be material when considering the available financial assurance. The March 2013 true-up tax payments all appear to be within the rounding margin described in Section 4.2.5 of LIC-205 Rev. 4 even after application of escalation, and therefore, would not affect the NRC's analysis of available financial assurance even if they were to be considered when computing the "amount accumulated to the end of the calendar year" as described in 10 CFR §50.75(f)(1).