

RS-13-209

10 CFR 50.75(f)(1)

August 15, 2013

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555-001

Braidwood Station, Units 1 and 2
Facility Operating License Nos. NPF-72 and NPF-77
NRC Docket Nos. STN 50-456 and STN 50-457

Byron Station, Units 1 and 2
Facility Operating License Nos. NPF-37 and NPF-66
NRC Docket Nos. STN 50-454 and STN 50-455

Clinton Power Station
Facility Operating License No. NPF-62
NRC Docket No. 50-461

Dresden Nuclear Power Station, Units 1, 2 and 3
Facility Operating License No. DPR-2
Renewed Facility Operating License Nos. DPR-19 and DPR-25
NRC Docket Nos. 50-10, 50-237 and 50-249

LaSalle County Station, Units 1 and 2
Facility Operating License Nos. NPF-11 and NPF-18
NRC Docket Nos. 50-373 and 50-374

Limerick Generating Station, Units 1 and 2
Facility Operating License Nos. NPF-39 and NPF-85
NRC Docket Nos. 50-352 and 50-353

Oyster Creek Nuclear Generating Station
Renewed Facility Operating License No. DPR-16
NRC Docket No. 50-219

Peach Bottom Atomic Power Station, Units 1, 2, and 3
Facility Operating License No. DPR-12
Renewed Facility Operating License Nos. DPR-44 and DPR-56
NRC Docket Nos. 50-171, 50-277, and 50-278

Quad Cities Nuclear Power Station, Units 1 and 2
Renewed Facility Operating License Nos. DPR-29 and DPR-30
NRC Docket Nos. 50-254 and 50-265

Salem Generating Station, Units 1 and 2
Renewed Facility Operating License Nos. DPR-70 and DPR-75
NRC Docket Nos. 50-272 and 50-311

Three Mile Island Nuclear Station, Unit 1
Renewed Facility Operating License No. DPR-50
NRC Docket No. 50-289

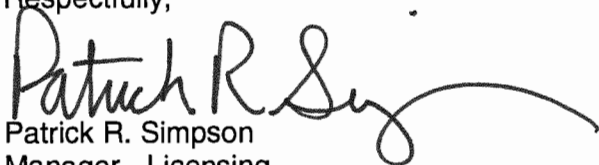
Subject: Response to Request for Additional Information Related to 2013 Report on Status of Decommissioning Funding for Reactors

- References:**
- 1) Letter from Patrick R. Simpson (Exelon Generation Company, LLC) to U. S. NRC, "2013 Report on Status of Decommissioning Funding for Reactors," dated April 1, 2013
 - 2) Letter from Joel S. Wiebe (U. S. NRC) to Michael J. Pacilio, (Exelon Generation Company, LLC), "Braidwood Station, Units 1 and 2; Byron Station, Unit Nos. 1 and 2; Clinton Power Station, Unit No.1; Dresden Nuclear Power Station, Units 1, 2 and 3; LaSalle County Station, Units 1 and 2; Limerick Generating Station, Units 1 and 2; Oyster Creek Nuclear Generating Station; Peach Bottom Atomic Power Station, Units 1, 2, and 3; Quad Cities Nuclear Power Station, Units 1 and 2; Salem Generating Station; and Three Mile Island Nuclear Station, Unit 1 - Request for Additional Information RE: Exelon Generation Company, LLC - 2013 Decommissioning Funding Status Report," dated July 15, 2013

In Reference 1, Exelon Generation Company, LLC, (EGC) submitted a report on the status of decommissioning funding for the reactors owned by EGC in accordance with 10 CFR 50.75, "Reporting and recordkeeping for decommissioning planning," paragraph (f)(1). The U. S. Nuclear Regulatory Commission (NRC) requested additional information to complete its review of the EGC decommissioning funding status report in Reference 2. The Attachment to this letter provides the requested information.

There are no new regulatory commitments made in this letter. If you have any questions about this letter, please contact Mr. Timothy A Byam at (630) 657-2818.

Respectfully,



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

cc: Regional Administrator - NRC Region I
Regional Administrator - NRC Region III
NRC Senior Resident Inspector - Braidwood Station
NRC Senior Resident Inspector - Byron Station
NRC Senior Resident Inspector - Clinton Power Station
NRC Senior Resident Inspector - Dresden Nuclear Power Station
NRC Senior Resident Inspector - LaSalle County Station
NRC Senior Resident Inspector - Limerick Generating Station
NRC Senior Resident Inspector - Oyster Creek Nuclear Generating Station
NRC Senior Resident Inspector - Peach Bottom Atomic Power Station
NRC Senior Resident Inspector - Quad Cities Nuclear Power Station
NRC Senior Resident Inspector - Salem Generating Station
NRC Senior Resident Inspector - Three Mile Island Nuclear Station, Unit 1

Attachment: Response to Request for Additional Information

ATTACHMENT

RESPONSE TO NRC REQUEST FOR ADDITIONAL INFORMATION

In reviewing the Exelon Generation Company, LLC (EGC) 2013 Decommissioning Funding Status (DFS) report (Agencywide Documents Access and Management System (ADAMS) Accession No. ML 13092A156) the U.S. Nuclear Regulatory Commission staff has determined that the following information is needed in order to complete its review:

Question 1: Citation for real rate of returns

State if the 3 percent real rate of return, authorized by the PaPUC, is allowed through the decommissioning period of each reactor.

On April 1, 2013, EGC reported the following for Limerick Generating Station, Units 1 and 2, and Peach Bottom Atomic Power Station, Units 2 and 3:

Assumptions used regarding rates of escalation, earnings, and other factors used in funding projections: 3%

Note: [Title 10 of the Code of Federal Regulations (10 CFR)] 10 CFR 50.75(e)(1)(ii) allows licensees to use a rate of return higher than 2% if the applicable rate-setting authority has specifically authorized a higher rate. The PaPUC approved a 3% 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). Accordingly, EGC uses a 3% real rate of return.

As stated in 10 CFR 50.75(f)(1), the information in [the DFS] report must include [...] 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...

Response to Question 1

The 3% real rate of return is assumed through the decommissioning period for Limerick Generating Station, Units 1 and 2, Peach Bottom Atomic Power Station, Units 1, 2 and 3, and Salem Generating Station, Units 1 and 2, in accordance with the PECO 1998 Restructuring Settlement (References 1 and 2) and the PECO/Unicom Merger Settlement (References 3 and 4) approved by the state regulator, as reflected in References 1 through 7. The Restructuring Settlement allowed PECO to collect its stranded costs and to seek recovery of nuclear decommissioning costs through Pennsylvania retail electric rates (Reference 1, pages 13, 14, 25-26). The Nuclear Decommissioning Cost Adjustment (NDCA) was established in PECO's Electric Tariff as a result of the Restructuring Settlement (Reference 6) and provides the formula and other inputs for the calculation of the customer charge for nuclear decommissioning expenses (see References 6 and 7 for the formula). The Merger Settlement (Reference 3, pages 10 – 11) approved PECO's transfer of its nuclear power plant assets to affiliate Exelon

Generation Company, LLC and authorized PECO to continue using the NDCA to collect funds for nuclear decommissioning expenses associated with PECO's ownership interest in nuclear generation as of December 31, 1999 (referred to in the Merger Settlement (Reference 3, page 10) as "PECO's Pre-Existing Nuclear Interests").

Following the Restructuring Settlement, PECO updated its Electric Tariff to reflect the NDCA effective as of January 1, 1999. The NDCA sets the total amount of money to be collected from ratepayers each year for each of the units comprising PECO's Pre-Existing Nuclear Interests. The total annual collections for each unit is based on the total amount of money required to decommission the unit using a real earnings rate of 3% on the decommissioning trust fund through the entire period of decommissioning (References 5 and 6). This assumption is unchanged in the current NDCA filing, effective January 1, 2013 (Reference 7).

PECO provides updated cost studies and submits any needed NDCA adjustments to the Pennsylvania Public Utility Commission every 5 years to account for the impact of fund performance and updated cost estimates. At the end of decommissioning, if the actual costs required to "accomplish the full decommissioning of PECO's Pre-Existing Nuclear Interests" are less than the balance in the trust funds, PECO may release the trust fund balances to share the funds with ratepayers (Reference 3, page 12; Reference 7).

The Merger Settlement provides that "nothing in this Settlement is intended to limit or otherwise modify PECO's rights to seek recovery through Pennsylvania retail electric rates of nuclear decommissioning costs associated with PECO's Pre-Existing Nuclear Interests" (Reference 3, page 11). The Merger Settlement provisions related to the recovery of nuclear decommissioning costs for PECO's Pre-Existing Nuclear Interests do not expire when the PECO units shut down. By way of example, PECO collects money from ratepayers to cover decommissioning costs for Peach Bottom Unit 1, which shutdown in 1974 (References 6 and 7). The amount of funds collected is based on an assumption of a 3% real rate of return on the Peach Bottom Unit 1 trust fund through the entire period of decommissioning. Therefore, assuming a 3% real rate of return through the decommissioning period is appropriate.

Question 2: Amounts accumulated

Provide the after-tax amount of funds accumulated through December 31, 2012 for Braidwood Station, Units 1 and 2, Byron Station, Unit Nos. 1 and 2, Clinton Power Station, Dresden Nuclear Power Station, Units 2 and 3, LaSalle County Station, Units 1 and 2, Limerick Generating Station, Units 1 and 2, Oyster Creek Nuclear Generating Station, Peach Bottom Atomic Power Station, Units 2 and 3, Quad Cities Nuclear Power Station, Units 1 and 2, Salem Generating Station, Units 1 and 2, and Three Mile Island Nuclear Station, Unit 1.

In its April 1, 2013, letter, EGC 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.

Response to Question 2

10 CFR 50.75(f)(1) and (2) require licensees to include in the decommissioning funding status reports "the amount of decommissioning funds accumulated to the end of the calendar year preceding the date of the report." EGC complied with this requirement by reporting the amount of funds in the trust funds as of December 31, 2012. The regulation does not require licensees to report an after-tax amount.

EGC has no past-due tax payments related to decommissioning trust fund activities as of December 31, 2012. EGC makes periodic payments of estimated income taxes during the year on a quarterly basis. The 2013 DFS report (Reference 8) complied with the reporting requirements of 10 CFR 50.75(f)(1) in that the amount of funds reported were those that were accumulated to the end of the calendar year preceding the report.

References:

1. PECO's Restructuring Settlement, Docket No. R-00973953, filed April 29, 1998
2. May 14, 1998 Order Approving PECO's Restructuring Settlement
3. PECO/Unicom Merger Settlement, Docket No. A-110550F0147, dated March 23, 2000
4. June 22, 2000 Opinion and Order Approving PECO/Unicom Merger Settlement, Docket No. A-110550F0147
5. PaPUC Secretarial Letter dated May 3, 2001
6. Tariff Electric Pa. P.U.C. No. 3, Original Page No. 33, effective January 1, 1999
7. Supplement No. 62 to Tariff Electric Pa. P.U.C. No. 4, First Revised Page No. 37, Superseding Original Page No. 37, Effective January 1, 2013 (NDCA submission)
8. Letter from Patrick R. Simpson (Exelon Generation Company, LLC) to U. S. NRC, "2013 Report on Status of Decommissioning Funding for Reactors," dated April 1, 2013