



Palo Verde
Nuclear Generating Station
5801 S. Wintersburg Road
Tonopah, AZ 85354

102-07466-TNW/MDD
March 31, 2017

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

Dear Sirs:

Subject: **Palo Verde Nuclear Generating Station (PVNGS)
Units 1, 2, and 3 and Independent Spent Fuel
Storage Installation (ISFSI)
Docket Nos. STN 50-528/529/530 and 72-44
Consolidated Decommissioning Funding Status Report - 2016**

Pursuant to the requirements of 10 CFR 50.75(f)(1), 10 CFR 72.30 and in accordance with the guidance in NRC Regulatory Issue Summary 2001-07, Revision 1, *10 CFR 50.75 Reporting and Recordkeeping for Decommissioning Planning*, dated January 8, 2009, Arizona Public Service Company (APS) is submitting the 2016 Decommissioning Funding Status Reports for Palo Verde Nuclear Generating Station (PVNGS), Units 1, 2, and 3, and for the PVNGS Independent Spent Fuel Storage Installation (ISFSI).

APS is relying upon the 2016 Annual Funding Status Report from each Participant Owner as well as the *2013 Decommissioning Cost Study for the Palo Verde Nuclear Generating Station*, issued December 18, 2013, in providing the information in these reports. The report provided in Enclosure 1 to this letter contains the information requested in NRC Regulatory Issue Summary 2001-07, Revision 1, as well as the status of decommissioning funding for each PVNGS unit and for each of the Participants.

In order to reduce the ongoing burden of submitting separate reports on separate schedules for the ISFSI under 10 CFR 72.30 and under 10 CFR 50.75(f)(1), APS is including the ISFSI report as Enclosure 2.

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Consolidated Decommissioning Funding Status Report - 2016
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No commitments are being made in this letter. Should you need further information regarding this response, please contact Michael D. DiLorenzo, Licensing Section Leader at (623) 393-3495.

Sincerely,

Thomas N. Weber
Department Leader, Regulatory Affairs

TNW/PJH

- Enclosures:
1. 2016 Decommissioning Funding Status Report for Palo Verde Nuclear Generating Station Units 1, 2, and 3
 2. 2016 Decommissioning Funding Status Report for the Independent Spent Fuel Storage Installation at Palo Verde Nuclear Generating Station

cc:	K. M. Kennedy	NRC Region IV Regional Administrator
	S. P. Lingam	NRC NRR Project Manager for PVNGS
	M. M. Watford	NRC NRR Project Manager
	C. A. Peabody	NRC Senior Resident Inspector for PVNGS

Enclosure 1

**2016 Decommissioning Funding Status Report for Palo Verde
Nuclear Generating Station Units 1, 2, and 3**

Enclosure 1
2016 Decommissioning Funding Status Report
for PVNGS Units 1, 2 & 3

The Decommissioning Funding Status Report for the period ending December 31, 2016, is being submitted pursuant to 10 CFR 50.75(f)(1) by Arizona Public Service Company (APS) as the operator of Palo Verde Nuclear Generating Station (PVNGS), Units 1, 2 and 3. The information contained in this report is based on the best available information as provided by the Palo Verde Participants updated to the current revision of NUREG-1307, Revision 16, *Report on Waste Burial Charges*, dated March 2017.

The authorized megawatts thermal (MWt) and expiration dates for authority to operate the PVNGS units pursuant to the licenses are as follows:

	MWt	Expiration date
Unit 1	3990	June 1, 2045
Unit 2	3990	April 24, 2046
Unit 3	3990	November 25, 2047

APS is submitting this report on behalf of the seven Palo Verde Participants identified below.

	Participant	% Share of Each Unit
1.	Arizona Public Service Company (APS)	29.10
2.	Salt River Project Agricultural Improvement and Power District (SRP)	17.49
3.	El Paso Electric Company (EPE)	15.80
4.	Southern California Edison Company (SCE)	15.80
5.	Public Service Company of New Mexico (PNM)	10.20
6.	Southern California Public Power Authority (SCPPA)	5.91
7.	Los Angeles Department of Water and Power (LADWP)	5.70

Pursuant to the Participation Agreement governing the obligations of the PVNGS owners, each owner is required to establish and maintain Termination Fund(s) for the accumulation of funds to decommission PVNGS, including a requirement that such funds meet the regulatory requirements of the NRC for providing financial assurance for decommissioning, as well as other requirements. Every year, each PVNGS owner provides an Annual Funding Status Report and certifies compliance with these requirements. Copies of the most recent certifications for the 2016 reports are provided as Appendix A to this Report. The information provided in this report is based upon the information in the 2016 Annual Funding Status Reports as certified by the Participants.

Enclosure 1
2016 Decommissioning Funding Status Report
for PVNGS Units 1, 2 & 3

10 CFR 50.75(f)(1) requires, and Regulatory Issue Summary 2001-07, Revision 1, requests, that the following information be provided:

1. The amount of decommissioning funds estimated to be required pursuant to 10 CFR 50.75 (b) and (c).
2. The amount accumulated to the end of the calendar year preceding the date of the report (This report is for the period ending December 31, 2016).
3. A schedule of the annual amounts remaining to be collected.
4. The assumptions used in determining rates of escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections.
5. Any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(v).
6. Any modifications occurring to a licensee's current method of providing financial assurance since the last submitted report.
7. Any material changes to trust agreements.

Item 1

The amount of decommissioning funds estimated to be required pursuant to 10 CFR 50.75 (b) and (c).

Response

NUREG-1307, Revision 16, *Report on Waste Burial Charges*, dated March 2017, provides the following information.

Using the format used in the examples in Section 3.5 of NUREG-1307, *Sample Calculations of Estimated Reactor Decommissioning Costs*, along with end of year inflation numbers:

Scenario Description

Reactor Type:	PWR
Thermal Power Rating:	3990 MW _t
Location of Plant:	West Region, Southwestern Compact
LLW Disposition Preference:	Generators Located in the Unaffiliated States and those Located in Compact-Affiliated States having no Disposal Facility
LLW Burial Location:	Andrews County, Texas and Clive, Utah
Base Cost (1986 Dollars) =	\$105 million [from 10 CFR 50.75(c)(1)]

L _x	=	2.649
E _x	=	1.870
B _x	=	12.471

Decommissioning Cost (2016 dollars)
= (\$105 million)*[(0.65)*(2.649)+(0.13)*(1.870)+(0.22)*(12.471)]
= \$494 Million

Enclosure 1
2016 Decommissioning Funding Status Report
for PVNGS Units 1, 2 & 3

APS has reviewed the assumptions in this example as applicable to PVNGS. APS uses a site specific estimate of decommissioning costs. A comparison of the two costs is shown below:

TABLE 1

PVNGS Unit	10 CFR 50.75 (b) and (c) Required ¹
Unit 1	494 Million (2016\$)
Unit 2	494 Million (2016\$)
Unit 3	494 Million (2016\$)

1. From NUREG-1307, Revision 16 calculation

TABLE 2

PVNGS Unit	Site Specific Basic Radiological Decommissioning ¹
Unit 1	640 Million (2013\$)
Unit 2	621 Million (2013\$)
Unit 3	702 Million (2013\$)

1. These values come from the 2013 Decommissioning Cost Study, Table 6.1, page 73 of 160.

Item 2

The amount accumulated to the end of the calendar year preceding the date of the report. This report is for the period ending December 31, 2016.

Response

Each Participant is entitled to exercise its own judgment regarding additional contingency factors and scope of work beyond the scope of work assumed in the site specific study. In addition, assumptions regarding decommissioning cost escalation and trust fund earnings may affect funding levels. Therefore, Participants may accumulate funds based upon a Basic Radiological Decommissioning Cost Estimate and Total Decommissioning Cost Estimate that exceed the amounts noted above. Regardless of such independent judgments, each Participant meets NRC requirements for purposes of estimating the decommissioning funds to be required, because the site specific estimates of costs noted above for the Basic Radiological Decommissioning of each PVNGS unit exceed the NRC minimum formula amount calculated in accordance with 10 CFR 50.75(c), NUREG-1307, Revision 16, *Report on Waste Burial Charges* and Regulatory Guide 1.159, *Assuring the Availability of Funds for Decommissioning Nuclear Reactors*.

The following table shows the actual accumulated funds by Participant at the end of the reporting year 2016.

Enclosure 1
2016 Decommissioning Funding Status Report
for PVNGS Units 1, 2 & 3

Total Trust Balances at End of Reporting Period
(In Thousands \$) ^{1,2}

Participant	Unit 1 Accumulation	Unit 2 Accumulation	Unit 3 Accumulation
APS	222,492	273,042	230,343
SRP	122,118	121,502	126,340
EPE	84,260	84,581	79,619
SCE	358,244	366,917	378,363
PNM	79,162	85,664	87,873
SCPPA	55,324	56,320	61,853
LADWP	45,131	42,985	44,656
Total	966,731	1,031,011	1,009,047

1. These values represent liquidation values (i.e., after fees, expenses and taxes) as estimated by each Participant.
2. As indicated these amounts are total accumulated trust balances as of December 31, 2016, that eventually will be utilized to pay for radiological, non-radiological, spent fuel and ISFSI decommissioning costs.

Based upon the 2013 Decommissioning Cost Study, the portion of the Total Trust Balances reported above that are intended to be utilized to pay for NRC radiological license termination and ISFSI radiological license termination costs, in 2013 dollars, are as follows:

Decommissioning Cost Study Estimates for Selected Decommissioning Functions
(In Thousands \$) ¹

Purpose	Unit 1	Unit 2	Unit 3
Radiological	639,588	620,908	701,937
ISFSI ²	3,063	3,063	3,063

1. These values come from the 2013 Decommissioning Cost Study, Table 6.1, page 73 of 160 and Appendix L, page 151 of 160 and have not been escalated to 2016 dollars.
2. ISFSI decommissioning is a common cost for all three units, and is equally allocated above. The total ISFSI decommissioning cost estimate is \$9.188 million (the figures above do not add due to rounding) and is consistent with the reported value in Enclosure 2.

Enclosure 1
2016 Decommissioning Funding Status Report
for PVNGS Units 1, 2 & 3

Item 3

A schedule of the annual amounts remaining to be collected.

Response

Pursuant to the Participation Agreement, as amended and reformed, the Participants agreed that each Participant would commit to minimum levels of accumulation of funds, regardless of fund investment performance, pursuant to a pre-established percentage funded commitment or "Funding Curve" for each year through the end of plant life. Each Participant's percentage funding commitment was based upon an analysis which incorporated the Participant's individual business judgments (subject to regulatory approvals, as applicable) with respect to expected rates of fund investment earnings and escalation in total decommissioning costs. Every three years a site specific decommissioning cost estimate is performed, and each Participant applies the new site specific cost estimate to its pre-established Funding Curve. Each Participant is committed to minimum levels of accumulations, which cannot drop below a Funding Floor (which is never less than eighty percent of the Participant's Funding Curve and was established to take into account market fluctuations in the early years of fund accumulation).

For purposes of determining compliance with NRC's minimum financial assurance requirements, based upon an evaluation of the existing balances and earnings to be credited using the 2% real rate of return as authorized in 10 CFR 50.75(f)(1)(i) & (ii), minimum financial assurance is achieved. Some Participants continue to make annual contributions of additional amounts as authorized by rate setting authorities and/or as required by the Participation Agreement.

The amounts of additional annual funding reported by the Participants for the year 2016 are as follows:

Annual Contributions by Participant in 2016

Participant	Unit 1 Contribution	Unit 2 Contribution	Unit 3 Contribution
APS	\$449,137	\$0	\$1,831,831
SRP	\$140,580	\$140,580	\$144,840
EPE	\$1,358,430	\$1,678,168	\$1,498,702
SCE	\$0	\$0	\$0
PNM	\$961,527	\$1,016,117	\$2,250,000
SCPPA	\$0	\$0	\$0
LADWP	\$0	\$0	\$0

Enclosure 1
2016 Decommissioning Funding Status Report
for PVNGS Units 1, 2 & 3

Item 4

The assumptions used in determining rates of escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections.

Response

For purposes of determining compliance with NRC's minimum financial assurance requirements, NRC's regulations authorize a 2% real rate of return. The actual rates of earnings and escalation assumed by rate setting authorities for the Participants may vary, but compliance with NRC's requirements is demonstrated when the NRC's 2% real rate of return is applied.

Item 5

Any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(v).

Response

No PVNGS Participant is relying upon a contract for purposes of providing decommissioning funding within the meaning of 10 CFR 50.75(e)(1)(v).

Item 6

Any modifications occurring to a licensee's current method of providing financial assurance since the last submitted report.

Response

Based upon trust fund balances reported as of December 31, 2016, and credit for a 2% real rate of return for projected earnings, all Participants currently satisfy NRC's decommissioning financial assurance requirements in accordance with the requirements of the prepayment method in 10 CFR 50.75(e)(1)(i). However, some Participants continue to make annual contributions of additional amounts as authorized by rate setting authorities and/or as required by the Participation Agreement.

Item 7

Any material changes to trust agreements.

Response

Based upon the Annual Funding Status Reports submitted to APS by the Participants, there have been no material changes to trust agreements.


APPENDIX A

Certifications

ARIZONA PUBLIC SERVICE COMPANY'S CERTIFICATE
FOR ANNUAL FUNDING STATUS REPORT
FOR PERIOD ENDING DECEMBER 31, 2016

Lee R. Nickloy, Vice President and Treasurer of Arizona Public Service Company certifies on behalf of Arizona Public Service Company that the provisions of trust agreement(s) establishing, and all other instruments providing for investment management of, the Termination Fund(s) of Arizona Public Service Company, taken together, comply with Section 8A.7.2.2 and all other provisions of the Arizona Nuclear Project Participation Agreement, dated as of August 23, 1973, as amended by Amendment Nos. 1 through 16, establishing requirements for such agreements and instruments; and further certifies that, to the best of the knowledge of Lee R. Nickloy, the information contained in the report to which this Certificate is attached is true and correct and accurately sets forth the status of the Termination Funds of Arizona Public Service Company as of the date stated.

DATED: February 24, 2017



Lee R. Nickloy
Vice President & Treasurer

**SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT
AND POWER DISTRICT'S CERTIFICATE
FOR ANNUAL FUNDING STATUS REPORT
FOR PERIOD ENDING DECEMBER 31, 2016**

Steven J. Hulet, Treasurer and Senior Director of Financial Services, Salt River Project Agricultural Improvement and Power District, certifies on behalf of Salt River Project Agricultural Improvement and Power District that the provisions of the trust agreement establishing, and all other instruments providing for investment management of, the Termination Fund of Salt River Project Agricultural Improvement and Power District, taken together, comply with Section 8A.7.2.2. and all other provisions of the Arizona Nuclear Power Project Participation Agreement, dated as of August 23, 1973, as amended by Amendment Nos. 1 through 16, establishing requirements for such agreements and instruments; and further certifies that, to the best of the knowledge of Steven Hulet, the information contained in the report to which this Certificate is attached is true and correct and accurately sets forth the status of the Termination Fund of the Salt River Project Agricultural Improvement and Power Districts as of the date stated.

Dated: MARCH 15, 2017

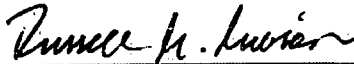
Steven J. Hulet

Steven J. Hulet, Treasurer & Senior Director, Financial Services

**EL PASO ELECTRIC COMPANY
CERTIFICATE FOR ANNUAL FUNDING STATUS REPORT
FOR PERIOD ENDING DECEMBER 31, 2016**

Russell G. Gibson, Vice President-Controller, certifies on behalf of El Paso Electric Company that the provisions of trust agreements establishing, and all other instruments providing for investment management of, the Termination Funds of El Paso Electric Company, taken together, comply with Section 8A.7.2.2 and all other provisions of the Arizona Nuclear Power Project Participation Agreement, dated as of August 23, 1973, as amended by Amendment Nos. 1 through 16, establishing requirements for such agreements and instruments; and further certifies that, to the best of the knowledge of Russell G. Gibson, the information contained in the report to which this Certificate is attached is true and correct and accurately set forth the status of the Termination Funds of El Paso Electric Company as of the date stated.

DATED: February 28, 2017



Russell G. Gibson
Vice President-Controller

**Southern California Edison Company
Certificate for Annual Funding Status Report
For the Period Ending December 31, 2016**

Daniel Wood, Vice President and Treasurer of Southern California Edison, certifies on behalf of Southern California Edison that the provisions of the trust agreement establishing, and all other instruments providing for investment management, of the Termination Funds of Southern California Edison Company, taken together, comply with Section 8.A.7.2.2 and all other provisions of the Arizona Nuclear Power Project Participation Agreement, dated as of August 23, 1973, as amended by Amendments No. 1 through 16, establishing requirements for such agreements and instruments; and further certifies that, to the best of the knowledge of Daniel Wood, the information contained in the report to which this Certificate is attached is true and correct and accurately sets forth the status of the Termination Funds of Southern California Edison Company as of the date stated.

Dated: March 15, 2017



Daniel Wood
Vice President and Treasurer
Southern California Edison Company



PNM Resources
Corporate Headquarters, MS 0905
Albuquerque, NM 87158
FAX (505) 241-4386

MANUAL OF THE TERMINATION FUNDING COMMITTEE

Public Service Company of New Mexico

**Certificate for Annual Funding Status Report
For Period Ending December 31, 2016**

Elisabeth Eden, Vice President and Treasurer of Public Service Company of New Mexico, certifies on behalf of the Public Service Company of New Mexico, that the provisions of the trust agreement establishing, and all other instruments providing for investment management of, the Termination Funds of Public Service Company of New Mexico, taken together, comply with Section 8A.7.2.2 and all other provisions of the Arizona Nuclear Power Project Participation Agreement, dated as of August 23, 1973, as amended by Amendment Nos. 1 through 16, establishing requirements for such agreements and instruments; and further certifies that, to the best of the knowledge of Elisabeth Eden, the information contained in the report to which this Certificate is attached is true and correct and accurately sets forth the status of the Termination Funds of Public Service Company of New Mexico as of the date stated.

Dated: Feb 28, 2017

A handwritten signature in cursive script, appearing to read "Elisabeth Eden", written over a horizontal line.

Elisabeth Eden,
Vice President and Treasurer



SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
1160 Nicole Court
Glendora, CA 91740
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SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
CERTIFICATE FOR ANNUAL FUNDING STATUS REPORT
FOR THE PERIOD ENDING DECEMBER 31, 2016

Michael S. Webster, Executive Director of Southern California Public Power Authority certifies on behalf of Southern California Public Power Authority that the provisions of the trust agreements establishing, and all other instruments providing for investment management of the Termination Funds of Southern California Public Power Authority, taken together, comply with Section 8A.7.2.2 and all other provisions of the Arizona Nuclear Project Participation Agreement dated as of August 23, 1973, as amended by Amendment Nos. 1 through 16 establishing requirements for such agreements and instruments; and further certifies that, to the best of the knowledge of Michael S. Webster, the information contained in the report to which this certificate is attached is true and correct and accurately sets forth the status of the Termination Fund of So California Public Power Authority as of the date stated.

Dated: February 28, 2017

A handwritten signature in blue ink that reads "Michael S. Webster".

MICHAEL S. WEBSTER
Executive Director of
Southern California Public Power
Authority

ERIC GARCETTI
Mayor

Commission
MEL LEVINE, *President*
WILLIAM W. FUNDERBURK JR., *Vice President*
JILL BANKS BARAD
MICHAEL F. FLEMING
CHRISTINA E. NOONAN
BARBARA E. MOSCHOS, *Secretary*

DAVID H. WRIGHT
General Manager

**LOS ANGELES DEPARTMENT OF WATER & POWER
CERTIFICATE FOR ANNUAL FUNDING STATUS REPORT
FOR THE PERIOD ENDING DECEMBER 31, 2016**

Neil M. Guglielmo, Acting Chief Financial Officer of Los Angeles Department of Water and Power certifies on behalf of Los Angeles Department of Water and Power that the provisions of the trust agreements establishing, and all other instruments providing for investment management of, the Termination Funds of Los Angeles Department of Water and Power, taken together, comply with Section 8A.7.2.2 and all other provisions of the Arizona Nuclear Project Participants agreement, dated August 23, 1973, as amended by Amendments Nos. 1 through 16, establishing requirements for such agreements and instruments; and further certifies that, to the best of his knowledge, the information contained in the report to which this certificate is attached is true and correct and accurately sets forth the status of the Termination Funds of Los Angeles Department of Water and Power as of the date stated.

Dated: February 27, 2017


NEIL M. GUGLIELMO
Acting Chief Financial Officer

Enclosure 2

2016 Decommissioning Funding Status Report for the Independent Spent Fuel Storage Installation at Palo Verde Nuclear Generating Station

Enclosure 2
2016 Decommissioning Funding Status Report
for PVNGS ISFSI

Pursuant to 10 CFR 72.30, each licensee for an Independent Spent Fuel Storage Installation (ISFSI), including an ISFSI licensed under the General License provided for in 10 CFR Part 72, Subpart K, is required, at intervals not to exceed 3 years, to resubmit a decommissioning funding plan with adjustments as necessary to account for changes in costs and the extent of contamination, as well as information regarding the financial assurance provided for funding such costs. On behalf of the owners of Palo Verde Nuclear Generating Station, Units 1, 2 and 3 (PVNGS) and the PVNGS ISFSI, Arizona Public Service Company (APS) provides the requested information below:

1. Information on how reasonable assurance will be provided that funds will be available to decommission the ISFSI:

See response to number 4 below, which discusses the appropriate method of financial assurance contemplated under 10 CFR 72.30(e).

2. A detailed cost estimate (DCE) for decommissioning:

In 1998, TLG Services, Inc. (TLG) prepared a site specific Decommissioning Cost Study for the PVNGS (DCE), which included the costs of decommissioning the ISFSI. This report has been updated, most recently in 2013. The most recent TLG Report found that the total cost of decommissioning the PVNGS ISFSI (license termination radiological only) after sixty years of operation would be \$9.2 million in 2013 dollars. This cost estimate includes the cost of an independent contractor to perform all radiological decommissioning activities, an adequate contingency factor of 15.7 percent, and the cost of meeting the 10 CFR 20.1402 criteria for unrestricted release.

Below is the effect of the following on the detailed cost estimate since the previous report:

- a. Spills of radioactive material producing additional residual radioactivity in onsite subsurface material: None
- b. Facility modifications: None
- c. Changes in authorized possession limits: None
- d. Actual remediation costs that exceed the previous cost estimate: None

3. Identification of and justification for using the key assumptions contained in the decommissioning cost estimate:

The key ISFSI assumption from the 2013 Decommissioning Cost Study is that some activation of the liner material in the casks is assumed to occur over the dry storage period of the spent fuel. The cost of the disposition of this

Enclosure 2
2016 Decommissioning Funding Status Report
for PVNGS ISFSI

material, as well as the conventional demolition of the ISFSI facility, is included in the estimate.

4. A description of the method of assuring funds for decommissioning from 10 CFR 72.30(e), including means of adjusting cost estimates and associated funding levels periodically over the life of the facility:

The PVNGS owners are using the prepayment and external sinking fund methods as authorized in 10 CFR 72.30(e)(5) and 50.75(e)(1)(i)-(ii). The owners recover their costs for decommissioning through cost of service ratemaking, including the estimated costs to decommission the PVNGS ISFSI, which are included in the TLG Report.

APS notes that Section 1.6 of the Public Service Company of New Mexico's (PNM) Annual Funding Status Report, which is provided as Attachment 5 to the decommissioning funding status report provided as the Enclosure to the APS letter dated March 30, 2011 (ADAMS Accession No. 110950393), provides the basis for its using the external sinking fund method as follows:

Costs associated with [Public Service Company of New Mexico's (PNM)] interest in Unit 3 have never been in retail rates and such costs were permanently excluded from New Mexico retail rates by an [New Mexico Public Regulation Commission] order issued in 1989. Effective January 30, 2009, PNM sold its natural gas utility operations to a third party. PNM in the year 2010 collected about 84 percent of its electric utility revenues from cost-of-service based rates. As a consequence, PNM collects the vast majority of its Unit 3 decommissioning costs through cost-of-service based revenues within the meaning of 10 CFR 50.75(e)(1)(ii)(A), notwithstanding the exclusion of PVNGS Unit 3 from retail rates. PNM's electric revenues from its interest in Unit 3 represented 8 percent of PNM's electric revenues in the year 2010.

In the event that funds remaining to be placed into the PVNGS owners' external sinking funds are no longer approved for recovery in rates by competent rate making authorities or if the funds no longer qualify using the prepayment method, the PVNGS owners will make changes to provide financial assurance using one or more of the methods stated in 10 CFR 72.30(e)(1)-(4).

The Participation Agreement governing the obligations of the PVNGS owners requires that the site specific DCE for PVNGS be updated once every three years. This provides the means for updating the cost estimate and required funding levels associated with the decommissioning of the PVNGS ISFSI.

Enclosure 2
2016 Decommissioning Funding Status Report
for PVNGS ISFSI

5. The volume of onsite subsurface material containing residual radioactivity that will require remediation to meet the criteria for license termination:

APS assumes that there is no volume of onsite subsurface material at the PVNGS ISFSI that contains residual radioactivity that will require remediation to meet the criteria for license termination.

6. A certification that financial assurance for decommissioning has been provided in the amount of the cost estimate for decommissioning:

Pursuant to the Participation Agreement governing the obligations of the PVNGS owners, each owner is required to establish and maintain Termination Fund(s) for the accumulation of funds to decommission PVNGS, including a requirement that such funds meet the regulatory requirements of the NRC for providing financial assurance for decommissioning, as well as other requirements. Every year, each PVNGS owner provides an Annual Funding Status Report and certifies compliance with these requirements. Copies of the most recent certifications for the 2016 reports are provided as Appendix A to Enclosure 1.