

DECOMMISSIONING FUNDING ASSURANCE

REPORT AND CERTIFICATION

SUBMITTED PURSUANT TO 10 CFR § 50.33(k)(2), 10 CFR 30.35
AND 10 CFR § 50.75

VERMONT YANKEE NUCLEAR POWER STATION

VERNON, VERMONT

VERMONT YANKEE NUCLEAR POWER CORPORATION

REVISION 1, MAY 29, 1992

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INTRODUCTION

This report is being submitted by the Vermont Yankee Nuclear Power Corporation ("Vermont Yankee"), holder of Facility Operating License No. DPR-28 and Materials License No. 44-13669-04, pursuant to 10 CFR § 50.33(k)(2) and 10 CFR 30.35(c)(2) for the purpose of "indicating how reasonable assurance will be provided that funds will be available to decommission the facility". The information contained in this report addresses Vermont Yankee's compliance with 10 CFR 50.75 and 10 CFR 30.35 and the implementing requirements of the Regulatory Guide 1.159, "Assuring the Availability of Funds for Decommissioning Nuclear Reactors, prepared by the Staff in conjunction therewith (cited herein as "Reg. Position").

COMPLIANCE WITH 10 CFR 50.75 AND 10 CFR 30.35

Vermont Yankee

1. On March 11, 1988, Vermont Yankee and Chittenden Trust Company, as Trustee, entered into the Vermont Yankee Decommissioning Trust Agreement (the "Trust"). On March 10, 1989, The Howard Bank of Burlington, Vermont, was appointed as successor Trustee of the Trust (the "Trustee"). On May 9, 1990, the Trust was amended to further define the Investment Guidelines. The Trust is an independent, irrevocable trust whose assets are held and administered by the Trustee for the purpose of paying the decommissioning costs of the Vermont Yankee plant. As such, the Trust is completely segregated from Vermont Yankee's assets and outside its administrative control. The Trust constitutes an external sinking fund within the meaning of 10 CFR 30.35 (f)(iii) and 10 CFR § 50.75(e)(ii). A composite copy of the Trust is submitted herewith in compliance with the requirements of 10 CFR § 30.35(c) and 10 CFR § 50.75(b) (see Exhibit 1 hereto). (Reg. Position 2.1.4.)
2. The Trust has been duly executed by officers of the parties thereto, thereunto duly authorized. (Reg. Position 2.1.3.)
3. The Trustee is a Vermont corporation whose trust operations are regulated and examined by the State of Vermont. (Reg. Position. 2.2.3.)
4. As of December 31, 1991, the market value of the Trust was \$69.9 million. All funds held by the Trust are available to meet costs of decommissioning the Vermont Yankee plant (see Sections 1.03 and 3.05 of the Trust, Exhibit 1 hereto). The market value of the Trust exceeds the \$759,000 required by 10 CFR 30.35(d).
5. All material that Vermont Yankee is authorized to possess and use by Materials

License No. 44-13609-04 is part of the facility as licensed by Facility Operating License DPR-28. No new byproduct, source or special nuclear material is authorized by the Materials Operating License. The Materials License only authorizes Vermont Yankee to transport material to off-site vendor facilities for special inspections, repairs or testing and requires it to be returned to Vermont Yankee. Removal of this material is therefore included in the TLG Engineering, Inc. cost estimate for decommissioning Vermont Yankee referred to below.

6. In connection with its most recent rate proceeding before the Federal Energy Regulatory Commission ("FERC") in 1989, Vermont Yankee commissioned the preparation of a site specific cost estimate (the "Study") for the decommissioning of the Vermont Yankee plant by TLG Engineering. Based upon the Study and other evidence, the FERC approved an Offer of Settlement which accepted \$190 million in 1990 dollars (the "Allowed Cost") as the estimated cost of decommissioning of the Vermont Yankee plant which is includeable in rates and authorized the collection of annual amounts which, together with the existing funds in the Trust and anticipated earnings thereon (based upon an assumed 6% annual inflation rate and a real earnings rate 0.94% per year) and appropriate tax loss carry backs, by 2012 would generate about \$769 million. The year 2012 is the expiration date of Vermont Yankee's operating license.

7. Based upon the minimum requirements of 10 CFR § 50.75(c) and the adjustment factors specified therein, the applicable formula amount for decommissioning the Vermont Yankee plant, escalated as therein provided, would be \$175.3 million in January 1991 dollars (see Exhibit 2), using the applicable United States Bureau of Labor Statistics publication and NUREG 1307, Revision 2, "Report on Waste Burial Charges", July, 1991.¹ This calculated minimum fund amount, escalated to March 2012 (the expiration date of Vermont Yankee's license), at 6% annually per the FERC Rate Settlement, becomes \$595.9 million.

8. Since the Allowed Cost which is currently being collected and deposited in the Trust exceeds the minimum amount required by 10 CFR § 50.75(c), details of the Study are not required to be submitted at this time (Reg. Position 1.1.1.). Nevertheless, the Study will be provided if the Commission or Staff so requests.

9. Vermont Yankee has Power Contracts, dated as of February 1, 1968, as heretofore amended by eight amendments, and Additional Power Contracts, dated as of February 1, 1984,

¹Note that the Burial Cost Index contained in NUREG 1397 is complete through January 1991 whereas the other escalation factors are complete through December 1990.

with each of its sponsoring utilities which obligate said sponsoring utilities in the aggregate to purchase the output and capacity of the Vermont Yankee plant and to pay therefor 100% of Vermont Yankee's operating costs, including decommissioning, whether or not its plant is operating. These contracts are valid and enforceable obligations of the parties thereto and have been approved as rates by the FERC. Composite conformed copies of the Power Contracts and Additional Power Contracts are filed herewith as Exhibit 3 and Exhibit 4 hereto, respectively. Pursuant to these contracts the obligation of each sponsoring utility to pay its pro rata share of decommissioning cost is irrevocable and remains in effect until the decommissioning of the Vermont Yankee plant has been completed.

Based upon the foregoing, Vermont Yankee hereby certifies that financial assurance for decommissioning of the Vermont Yankee plant will be provided in an aggregate amount not less than the inflation adjusted minimum amount required by 10 CFR 50.75(c). Vermont Yankee further certifies that this financial assurance is inclusive of that required to decommission all materials authorized to be possessed by Vermont Yankee by Material License Number 44-13669-04 in accordance with the requirements of 10 CFR 30.35.

Respectfully submitted,

VERMONT YANKEE NUCLEAR POWER
CORPORATION



May 29, 1992

By: Thomas W. Bennet Jr., Assistant Treasurer

List of Exhibits

1. Copy of Trust (previously filed)
2. § 50.75 (c) calculation