

March 30, 2009

ULNRC-05602

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
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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
STATUS OF DECOMMISSIONING FUNDING ASSURANCE**

Please find enclosed the 2009 biennial decommissioning funding status report for Callaway Plant. This report is submitted in accordance with 10 CFR 50.75(f)(1).

This letter does not contain any new commitments. If you have any questions on this report, please contact Mr. Scott Maglio at (573) 676-8719.

Sincerely,

A handwritten signature in black ink that reads "Scott Sandbothe".

L. Scott Sandbothe
Manager - Regulatory Affairs

BFH/nls

Enclosure

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cc: Mr. Elmo E. Collins, Jr.
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Index and send hardcopy to QA File A160.0761

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NRC Decommissioning Funding Status Report – 2009

10 CFR 50.75(f) (1) requires each power reactor licensee to report to the NRC on a calendar year basis, beginning on March 31, 1999, and every 2 years thereafter, on the status of its decommissioning funding for each reactor or share of reactor it owns. Union Electric Company d/b/a AmerenUE (“AmerenUE”) hereby reports the decommissioning funding status for its Callaway Plant.

1. The minimum decommissioning cost estimates, pursuant to 10 CFR 50.75 (b) and (c)¹, are \$405,700,000 based on the use of waste vendors and \$760,500,000 based on direct burial². The most recent site-specific study for decommissioning of the Callaway Plant was performed in August, 2008 and it calculated a decommissioning cost estimate of \$693,907,000 in terms of 2008 dollars. AmerenUE considers this site-specific decommissioning cost estimate of \$693,907,000 as the estimate for which funding adequacy must be assured. Due to its site-specific nature, it is a more accurate estimate of projected decommissioning costs. It reflects the use of waste vendors for a portion of the low-level waste disposal and is within the range of values derived in accordance with 10 CFR 50.75 (b) and (c). It is also more conservative as it includes full green fielding of the site. Approximately 82.5% (\$572,473,275) of the site specific cost estimate is associated with physical decontamination and dismantling such that the license can be terminated. Management and transfer of spent fuel accounts for 5.0% (\$34,695,350) of the site specific cost estimate. The remaining 12.5% (\$86,738,375) is for demolition of designated structures and limited site restoration.
2. The amount accumulated in the decommissioning fund to the end of calendar year preceding the date of this report for items included in 10 CFR 50.75 (b) and (c): \$236,191,628. This is an “after tax liquidation value,” which reflects the final funds that would be received, upon liquidation of the fund’s assets and the payment of income taxes on realized capital gains.

This decommissioning fund balance indicated above is a total amount intended to cover the full green fielding of the site. The funds in the trust fund are not segregated into those required for radiological decommissioning versus non-radiological decommissioning.

¹ The NRC formulas in section 10 CFR 50.75(c) include only those decommissioning costs incurred by licensees to remove a facility or site safely from service and reduce residual radioactivity to levels that permit: (1) release of the property for unrestricted use and termination of the license; or (2) release of the property under restricted conditions and termination of the license. The cost of dismantling or demolishing non-radiological systems and structures is not included in the NRC decommissioning cost estimates. The costs of managing and storing spent fuel on site until transfer to DOE are not included in the cost formulas.

² The indicated cost estimates are based on December 2008 labor and energy escalation factors and burial factors contained in NUREG 1307, Revision 13, published in November 2008.

Missouri law requires the Company to file updated funding adequacy analyses every three years. The law also allows for the adjustment of the contributions to the decommissioning fund and for subsequent tariff adjustments to recover any changes in the decommissioning expense from ratepayers concurrent with these triennial funding adequacy filings, if necessary.

The Missouri law (4 CSR 240-20.070(1)) defining decommissioning does not limit it to radiological decommissioning, as follows:

(1) As used in this rule, decommissioning means those activities undertaken in connection with a nuclear generating unit's retirement from service to ensure that the final removal, disposal, entombment or other disposition of the unit and of any radioactive components and materials associated with the unit, are accomplished in compliance with all applicable laws, and to ensure that the final disposition does not pose any undue threat to the public health and safety. Decommissioning includes the removal and disposal of the structures, systems and components of a nuclear generating unit at the time of decommissioning.

In past triennial filings, the Missouri Public Service Commission has accepted the site specific decommissioning cost estimates and the funding adequacy analyses based on full green fielding of the unit, as would be indicated under Missouri's legal definition of decommissioning. There is no basis for assuming any change in this practice in the future.

Consequently, it can be considered that the trust fund balance indicated is a total balance, not segregated on the basis of radiological versus non-radiological funding. As the Missouri mechanism for assuring funding adequacy and for recovering decommissioning expenses from ratepayers includes the non-radiological decommissioning expenses as well as the radiological expenses, it is not necessary to segregate the decommissioning fund balances. Any shortfalls in funding for full green fielding are expected to be recovered from ratepayers as part of the triennial funding adequacy updating process.

3. The schedule of the annual amounts remaining to be collected for items in 10 CFR 50.75 (b) and (c): \$6,758,605 per year for year 2009 through year 2023. Only \$5,068,954 will be collected for year 2024 as Callaway Plant's operating license expires October 18, 2024 and the collection will not be for a full year.³

³ The indicated \$6,758,605 amount represents the annual decommissioning contribution for the combined Missouri and Wholesale jurisdictions. Effective January 9, 2006, the MPSC issued an order in Case No. 2006-0098 approving the continuation of the annual Missouri contribution amount at its current level of \$6,486,378. Missouri law requires the Company to file updated funding adequacy analyses every three years. The last update filing was submitted September 2, 2008. It was recommended in this filing that the annual Missouri contribution amount remain at its current level of \$6,486,378. MPSC approval of this filing is still pending. The next triennial funding adequacy update

4. The Company used the following investment and return assumptions in its funding adequacy analysis filed with the Missouri Public Service Commission (“MPSC”) in Case No. 2009-0081 and these values are being provided for your information⁴:

• Total decommissioning cost estimate:	\$693,907,000
• Base year of the cost estimate:	2008
• Federal income tax rate:	20%
• State income tax rate:	0%
• Composite federal & state income tax rate:	20%
• Projected investment management and trust fees:	15.00 basis points
• Asset allocation:	65% equities 35% bonds
• Real rate of return on bonds:	3.90%
• CPI Inflation:	2.40%
• Equity premium over bonds:	4.50%
• Year in which divestiture from equity investments occurs:	2022

Based on the foregoing assumptions, the anticipated annual decommissioning contributions of \$6,758,605 would be adequate up to an annual decommissioning inflation rate of 2.742%. The annualized rate of earning on decommissioning fund return (pre-tax and fee) required at the above level of inflation is 8.3962%.

5. Any contracts upon which the licensee is relying on pursuant to 10 CFR 50.75 (e)(1)(v): None
6. Any modifications occurring to a licensee’s current method of providing financial assurance since the last submitted report: None. (The Company has used the “External Sinking Fund” method since 1985.)

is required by September 1, 2011. Therefore, the Missouri jurisdictional annual contribution amount could potentially be revised as a result of any MPSC orders issued in these future funding adequacy cases. An annual decommissioning contribution amount of \$272,227 is currently being made to the Wholesale account. The Federal Energy Regulatory Commission does not require any periodic reviews of the annual expense and contribution amount.

⁴ The funding adequacy analysis filed with the MPSC by the Company in this Case No. 2009-0081 was based on the indicated return assumptions. As stated in a prior footnote, the MPSC order in this case approving the continuation of the annual Missouri contribution at its current level of \$6,486,378, as proposed by AmerenUE, is still pending. The Missouri jurisdiction comprises about 98% of the decommissioning trust fund’s valuation. The remaining 2% is comprised of Wholesale jurisdictional assets.

7. Any material changes to trust agreements: There have been no material changes to the qualified trust agreement since the last report. The non-qualified trust that was required by Illinois has been eliminated as AmerenUE no longer has customers in Illinois. This non-qualified trust was never funded.⁵

⁵ On February 10, 2005, the MPSC approved AmerenUE's proposed transfer of its Illinois electric and gas properties to an Illinois affiliate, AmerenCIPS. The closing date for the property transfer was May 2, 2005. In accordance with the MPSC Order, the tax-qualified decommissioning trust's Illinois jurisdictional sub-account was eliminated following the closing. Ninety-eight percent of the assets in the existing Illinois sub-account as of the closing date were reallocated to the Missouri sub-account and the remaining two percent were reallocated to the Wholesale sub-account. As a result of the transfer, AmerenUE no longer has any Illinois ratepayers and will no longer collect decommissioning contributions in Illinois for its Callaway Plant, which is located in Missouri. The decommissioning liability previously borne by the Illinois ratepayers was transferred to AmerenUE's Missouri and Wholesale customers. Decommissioning expenses collected from Missouri jurisdictional ratepayers was increased by \$272,194 annually in accordance with the MPSC Order to account for the increased decommissioning liability borne by the Missouri ratepayers following the property transfer.