

10 CFR 50.75(f)(1)

RS-12-022

February 23, 2012

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

Limerick Generating Station, Unit 1
Facility Operating License No. NPF-39
NRC Docket No. 50-352

Subject: Response to Request for Additional Information Regarding Status of Decommissioning Funding Assurance

- References:**
1. Letter from Patrick R. Simpson (Exelon Generation Company, LLC) to U. S. NRC, "2011 Report on Status of Decommissioning Funding for Reactors," dated March 31, 2011
 2. Letter from Peter Bamford (U. S. NRC) to Michael J. Pacilio (Exelon Generation Company, LLC), "Limerick Generating Station, Unit No. 1 - Request for Additional Information Regarding Status of Decommissioning Funding Assurance, (TAC No. ME5497)" dated January 11, 2012
 3. Letter from Patrick R. Simpson (Exelon Generation Company, LLC) to U. S. NRC, "Extension of Due Date to Respond to Request for Additional Information Regarding Status of Decommissioning Funding Assurance," dated February 9, 2012

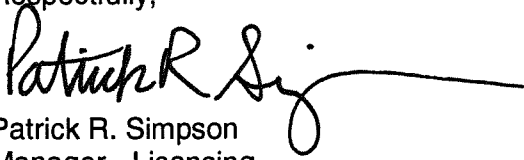
In Reference 2, the NRC requested additional information regarding the decommissioning funding assurance status for Limerick Generating Station, Unit 1, submitted by Exelon Generation Company, LLC (EGC) in Reference 1. Reference 3 documents the extension of the due date for the response to February 24, 2012.

The requested information is contained in the Attachments to this letter.

There are no new regulatory commitments made in this letter.

If you have any questions about this letter, please contact me at (630) 657-2823.

Respectfully,

A handwritten signature in black ink, appearing to read "Patrick R. Simpson", with a long horizontal flourish extending to the right.

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

cc: Regional Administrator – NRC Region I
NRC Senior Resident Inspector – Limerick Generating Station

- Attachments:
1. Response to Request for Additional Information
 2. Limerick Generating Station, Unit 1 Parent Company Guarantee
 3. 10 CFR 30, Appendix A Financial Tests for Parent Company Guarantee
 4. 10 CFR 30, Appendix A Required Independent Auditor's Report for Parent Company Guarantee

ATTACHMENT

RESPONSE TO NRC REQUEST FOR ADDITIONAL INFORMATION

By letter dated March 31, 2011 (Agencywide Documents Access and Management System (ADAMS) Accession No. ML110980080), Exelon Generation Company, LLC (Exelon, the licensee) submitted to the U.S. Nuclear Regulatory Commission (NRC) the 2011 Decommissioning Funding Status report for Limerick Generating Station (LGS), Unit 1, as required under Title 10 of the *Code of Federal Regulations* (10 CFR) Section 50.75, "Reporting and recordkeeping for decommissioning planning." On July 27, 2011 (ADAMS Accession No. ML112092312), Exelon submitted supplemental information in response to a request for additional information from the NRC staff regarding the status of the decommissioning funds.

The NRC has reviewed and analyzed the decommissioning cost estimate derived from the regulatory formula contained in 10 CFR 50.75(c), and the reported amount of the licensee's decommissioning trust fund, as of December 31, 2010, for LGS, Unit 1, including earnings assumptions. The NRC staff has determined that the minimum amount of decommissioning funding assurance required by the provisions of 10 CFR 50.75(c), as of December 31, 2010, is \$628,251,763 for LGS, Unit 1. Based on the reported decommissioning trust balance, together with earnings credits specified under NRC regulations, the NRC has also determined that as of December 31, 2010, Exelon has provided a total amount of decommissioning funding assurance in the amount of \$528,210,057 for LGS, Unit 1. Therefore, the amount of decommissioning financial assurance, as of December 31, 2010, is less than the amount required by NRC's regulations.

LGS, Unit 1 also failed to provide financial assurance in an amount that was equal to or greater than the requirements of NRC regulations as of December 31, 2008. By letter dated March 31, 2009 (ADAMS Accession No. ML090900463), Exelon stated that LGS did not meet the funding requirements of 10 CFR 50.75 (b) and (c). Further, in that letter Exelon stated:

For Limerick Generating Station, any needed adjustments will be made in the next filing of the Nuclear Decommissioning Cost Adjustment to the Pennsylvania Public Utilities Commission (PaPUC). This cost adjustment is made every five years pursuant to PaPUC Electric Tariff No. 3. The last adjustment was effective January 1, 2008.¹

By letter dated June 24, 2010 (ADAMS Accession No. ML101790022) Exelon stated that the next Nuclear Decommissioning Cost Adjustment calculation will be performed and submitted to the PaPUC in the second half of 2012, to take effect January 1, 2013. The submittal dated March 31, 2011 did not provide any statement recognizing the continuing shortfall at LGS, Unit 1, or re-confirm when adjustments would be made to meet the financial assurance requirement. Therefore, the NRC staff requests that Exelon provide its most current plan to

¹ The licensee's March 31, 2011, letter, Attachment 11, note (b), contains a similar general statement to this quoted passage regarding any needed adjustments and PaPUC Electric Tariff No. 3.

meet the NRC's financial assurance requirements for LGS, Unit 1, including the schedule when actions will be taken.

Response

EGC continues to provide decommissioning funding assurance for LGS, Unit 1 through the external sinking fund method in conjunction with an external trust fund. As stated in the Reference letter, the funding mechanism being used as the source of revenues for the external sinking funds is a non-bypassable charge approved by the PaPUC authorizing PECO Energy Company to continue to collect decommissioning funds for EGC.

Adjustments to the amount collected are made through the Nuclear Decommissioning Cost Adjustment (NDCA) filing to the PaPUC. This cost adjustment is made every five years pursuant to the PaPUC Electric Tariff No. 4. PaPUC Electric Tariff No. 4 supersedes PaPUC Electric Tariff No. 3 as of February 1, 2012, but no changes were made to the mechanics of the NDCA calculation. The last adjustment was effective January 1, 2008, and allows for the collection of annual payments from ratepayers of \$7.170M through 2023 for LGS, Unit 1.

In preparation for the next filing of the NDCA to the PaPUC, a preliminarily adjusted amount to be collected from ratepayers for LGS, Unit 1 has been determined. The final adjustment to the amount collected will be determined later in 2012, and will take effect starting January 1, 2013. The collections will continue through 2023.

Based on the preliminary NDCA calculation, the current amount of the decommissioning trust fund (i.e., \$256.5M as of December 31, 2011) and the estimated amount of funds to be collected from ratepayers will be less than that required to provide minimum funding according to the calculation in 10 CFR 50.75(c) (i.e., \$660.4M as of December 31, 2011). EGC considered various options for resolving this minimum funding issue, which included reallocating the forward looking contributions between the LGS, Unit 1 and Unit 2 decommissioning trust funds (the LGS, Unit 2 decommissioning trust fund is approximately \$150M over the minimum funding assurance amount required by NRC regulations) or obtaining a parent company guarantee. Ultimately, EGC decided to request a parent company guarantee from Exelon Corporation in the amount of \$115M to meet NRC minimum funding assurance requirements for LGS, Unit 1. This parent company guarantee was approved by the Exelon Corporation Board of Directors on February 21, 2012, and is included in Attachment 2. The financial tests required by 10 CFR 30, Appendix A are included in Attachment 3. Attachment 4 contains the independent auditor's report comparing the data in the financial test to the data in the year-end financial statement, as required by 10 CFR 30, Appendix A.

Other than as described in this response, there are no other changes to the information provided in the Referenced letter for LGS, Unit 1.

It should be noted that the PaPUC Electric Tariff No. 4 allows for future adjustments of the amount collected from ratepayers, and specifically allows for future collections after shutdown if there is an actual shortfall in the amount in the decommissioning trust fund compared to actual decommissioning expenses.

Reference: Letter from Patrick R. Simpson (Exelon Generation Company, LLC) to U. S. NRC, "2011 Report on Status of Decommissioning Funding for Reactors," dated March 31, 2011

ATTACHMENT 2

LIMERICK GENERATING STATION, UNIT 1 PARENT COMPANY GUARANTEE

PARENT GUARANTEE NRC DECOMMISSIONING FUNDING ASSURANCE

Guarantee made February 21, 2012 by Exelon Corporation, a corporation organized under the laws of the Commonwealth of Pennsylvania, herein referred to as “guarantor,” to the U.S. Nuclear Regulatory Commission (NRC), on behalf of our subsidiary Exelon Generation Company, LLC (ExGen) of 300 Exelon Way, Kennett Square, PA 19348, obligor.

Recitals

1. The guarantor has full authority and capacity to enter into this guarantee pursuant to its bylaws, articles of incorporation, and the laws of Pennsylvania, its State of incorporation. Guarantor has approval from its Board of Directors to enter into this guarantee.
2. This guarantee is being issued so that ExGen will be in compliance with regulations issued by the NRC, an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended and the Energy Reorganization Act of 1974. The NRC has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 50, which require that a holder of, or an applicant for, a license issued pursuant to 10 CFR Part 50 provide assurance that funds will be available when needed for required decommissioning activities.
3. This guarantee is issued to provide financial assurance for a portion of the costs of decommissioning activities for Limerick Station, Unit 1 as required by 10 CFR Part 50. The decommissioning costs for which this guarantee is issued are: \$115,000,000.
4. The guarantor meets or exceeds the financial test criteria as stated in NRC 10 CFR 30 Appendix A Section II, and will comply with the notification requirements as specified in 10 CFR Part 50 and Appendix A to Part 30.

5. The guarantor is the sole member of Exelon Ventures Company, LLC, which is the sole member of Exelon Generation Company, LLC, the holder of NRC License No. NPF-39 for Limerick Station, Unit 1, P.O. Box 2300, Sanatoga, Pennsylvania 19464-2300.
6. Decommissioning activities as used below refers to the activities required by 10 CFR Part 50 for decommissioning of the facility identified above.
7. For value received, and pursuant to the authority delegated to the officers of guarantor by its Board of Directors, the guarantor guarantees to the NRC that if ExGen fails to perform the required decommissioning activities, as required by License No. NPF-39, due to lack of funds, the guarantor shall either, as the guarantor shall determine:
 - a. carry out the required activities, or
 - b. provide all funds necessary, up to the amount of this guarantee specified in Section 3, to carry out the required activities, or
 - c. set up a trust fund in favor of ExGen in the amount of these current cost estimates or guarantee amount for these activities.
8. The guarantor shall assure that its independent accountant submit revised financial statements, financial test data, and will perform the review specified in NRC 10 CFR 30 Appendix A Section II, B and C, and notify the NRC as required by these sections.
9. The guarantor and ExGen agree that if the guarantor fails to meet the financial test criteria as stated in NRC 10 CFR 30 Appendix A Section II at any time after this guarantee is established, the guarantor and licensee shall send, within 90 days after the end of the fiscal year in which the guarantor fails to meet the financial test criteria, by certified mail, notice to the NRC. If ExGen fails to provide alternative financial assurance as specified in 10 CFR Part 50, as applicable, and obtain written approval of such assurance from the NRC within 180 days after the end of such fiscal year, the guarantor shall provide such alternative

financial assurance in the name of ExGen or make full payment under this guarantee to a standby trust established by ExGen.

10. Independent of any notification under paragraph 9 above, if the NRC determines for any reason that the guarantor no longer meets the financial test criteria or that it is disallowed from continuing as guarantor for the facility under License No. NPF-39, the guarantor agrees that within 90 days after being notified by the NRC of such determination, an alternative financial assurance mechanism as specified in 10 CFR Part 50 as applicable, shall be established by the guarantor in the name of ExGen unless ExGen has done so.
11. The guarantor as well as its successors and assigns agree to remain bound jointly and severally under this guarantee notwithstanding any or all of the following: amendment or modification of license or NRC-approved decommissioning funding plan for that facility, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of the licensee pursuant to 10 CFR Part 50.
12. The guarantor agrees that it will be liable for all litigation costs incurred by ExGen or the NRC in any successful effort to enforce this guarantee against the guarantor.
13. The guarantor agrees to remain bound under this guarantee for as long as ExGen must comply with the applicable financial assurance requirements of 10 CFR Part 50, for the previously listed facility except that the guarantor may cancel this guarantee by sending certified mail to the NRC and to ExGen, such cancellation to become effective no earlier than 120 days after receipt of such notice by both the NRC and ExGen as evidenced by the return receipts. If the licensee fails to provide alternative financial assurance as specified in 10 CFR Part 50, as applicable, and obtain written approval of such assurance within 120 days after the sending of the above notice by the guarantor, the guarantor shall provide such alternative financial assurance.

14. The guarantor expressly waives notice of acceptance of this guarantee by the NRC or by ExGen. The guarantor also expressly waives notice of amendments or modification of the decommissioning requirements and of amendments or modifications of the license.

15. If the guarantor files annual financial reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to the NRC during each year in which this guarantee is in effect.

I hereby certify that this guarantee is true and correct to the best of my knowledge.

Effective date: February 21, 2012

Exelon Corporation




Matthew F. Hilzinger
Senior Vice President and Chief Financial Officer

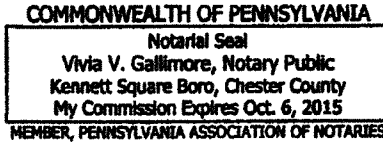


Signature of witness or notary: Mary L. Kwilos

Exelon Generation Company, LLC



Charles Pardee
Senior Vice President and Chief Operating Officer



Signature of witness or notary: Vivia V. Gallimore

ATTACHMENT 3

**10 CFR 30, APPENDIX A FINANCIAL TESTS FOR PARENT COMPANY
GUARANTEE**

**Exelon Corporation
Limerick Unit 1
NRC Regulation Appendix A to Part 30
Financial Test
(Dollars, in millions)**

Paragraph A.2

(i) Current rating for parent company's most recent bond issuance of AAA, AA, A, or BBB as issued by Standard and Poor's or AAA, AA, A, or BAA as issued by Moody's

Exelon's Current Senior Unsecured Debt Ratings: **Current**
S&P BBB-
Moody's BAA1

Meet criteria (Y/N)? **YES**

(ii) Tangible net worth each at least six times the current decommissioning cost estimates for the total of all facilities or parts thereof (or prescribed amount if a certification is used), **or, for a power reactor licensee, at least six times the amount of decommissioning funds being assured by a parent company guarantee for the total of all reactor units or parts thereof** (Tangible net worth shall be calculated to exclude the net book value of the nuclear unit(s))

	December 31, 2011
Total Shareholders' Equity	\$ 14,385
Goodwill	(2,625)
Intangible Assets	(463)
Net Book Value of Limerick Station	(754)
Tangible Net Worth	<u>\$ 10,543</u>

The amount of decommissioning funds being assured by parent guarantee for the total of all reactor units or parts thereof	\$ 115.0
	<u>6</u>
	<u>\$ 690</u>

Meet criteria (Y/N)? **YES**

(iii) Tangible net worth of at least \$10 million

	December 31, 2011
Total Shareholders' Equity	\$ 14,385
Goodwill	(2,625)
Intangible Assets	(463)
Net Book Value of Limerick Station	(754)
Tangible Net Worth	<u>\$ 10,543</u>

Meet criteria (Y/N)? **YES**

(iv) Assets located in the United States amounting to at least 90 percent of the total assets or at least six times the current decommissioning cost estimates for the total of all facilities or parts thereof (or prescribed amount if a certification is used), **or, for a power reactor licensee, at least six times the amount of decommissioning funds being assured by a parent company guarantee for the total of all reactor units or parts thereof.**

	December 31, 2011
Assets located in the Unites States	\$ 55,092

The amount of decommissioning funds being assured by parent guarantee for the total of all reactor units or parts thereof	\$ 115.0
	<u>6</u>
	<u>\$ 690</u>

Meet criteria (Y/N)? **YES**

ATTACHMENT 4

**10 CFR 30, APPENDIX A REQUIRED INDEPENDENT AUDITOR'S REPORT FOR
PARENT COMPANY GUARANTEE**



Report of Independent Accountants

To the Board of Directors of Exelon Corporation:

We have performed the procedures enumerated below, which were agreed to by Exelon Corporation (Exelon), solely to assist you with the Exelon Corporation Financial Tests (Financial Tests) prepared for the Limerick Unit 1 nuclear generating station in connection with the U.S. Nuclear Regulatory Commission Parent Guarantee under Title 10, CFR, Part 30, Appendix A (II) (B). Exelon is responsible for the Financial Tests. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of Exelon. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures included agreeing amounts set forth in the accompanying attachment to the audited financial statements of Exelon as of December 31, 2011, and re-performing calculations involving these amounts as presented in the attached schedule for the Financial Test, as well as inquiry of management.

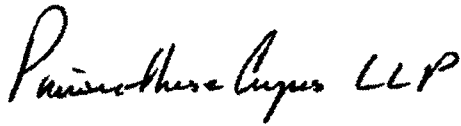
The procedures performed for Limerick Unit 1 and associated findings are as follows:

- a) We agreed the bond ratings in item (1) of the accompanying schedules titled "Exelon Corporation, Limerick Unit 1, NRC Regulation Appendix A to Part 50, Financial Test" provided to us by management to the most recent credit rating for senior unsecured debt issued by the respective bond agencies referred to in item (1) according to their respective website as of February 16, 2012, without exception.
- b) We traced and agreed amounts identified as Total Shareholders' Equity, Goodwill, Intangible Assets, and Assets located in the United States (Total Assets) on the schedule to the December 31, 2011 audited financial statements of Exelon Corporation, without exception.
- c) We proved the mathematical accuracy of the amount identified as Tangible Net Worth as being equal to Total Shareholders' Equity less Goodwill, less Intangible Assets, less the amount identified as Net Book Value of Limerick, Unit 1, without exception.
- d) We recalculated the ratio of Tangible Net Worth to the amount of decommissioning funds being assured by the Exelon parent guarantee for Limerick, Unit 1, and verified that Tangible Net Worth is at least six times the amount of decommissioning funds being assured by the guarantee.
- e) We obtained representation from management that 100% of Exelon's Total Assets are located in the United States.

- f) We recalculated the ratio of Total Assets to the amount of decommissioning funds being assured by the Exelon parent guarantee for Limerick, Unit 1, and verified that Total Assets are at least six times the amount of decommissioning funds being assured by the guarantee.

We were not engaged to and did not conduct an examination or an audit, the objective of which would be the expression of an opinion on the Financial Tests. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report extends only to the accounts and items enumerated above and do not extend to any financial statements of Exelon taken as a whole. This report is intended solely for the information and use of Exelon, and is not intended to be and should not be used by anyone other than Exelon to support the accompanying Financial Tests.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

February 22, 2012