



March 31, 2016

DPG 16-054

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

Docket No. 50-312
Rancho Seco Nuclear Generating Station
License No. DPR-54

**RANCHO SECO REPORT ON IRRADIATED FUEL MANAGEMENT FUNDING
STATUS**

Attention: Jack Parrott

As required by 10 CFR 50.82(a)(8)(vii), this letter provides the information on the status of financial assurance for irradiated fuel management funding for Rancho Seco as a supplement to the Annual Report on Decommissioning Funding Status. Note that the costs for decommissioning are provided separately and include all costs required to maintain the licenses until they are terminated following removal of irradiated materials from the facility. In estimating costs for irradiated fuel management, SMUD assumes that all fuel is to be removed from the site by 2021 in accordance with the DOE's "Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Radioactive Waste" issued (January 2013).

Irradiated Fuel Management Cost Estimate

In accordance with 10 CFR 50.82(a)(8)(vii)(B), an estimate is provided in Attachment 1 for the costs of managing irradiate fuel until the Department of Energy takes possession of the material. In summary, the estimated costs for irradiated fuel management at Rancho Seco total \$36.7 million.

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Irradiated Fuel Management Funding Status

In accordance with 10 CFR 50.82(a)(8)(vii)(A), SMUD is reporting that on December 3, 2015 the SMUD Board of Directors approved annual funding in the amount of \$5,965,030 for management of irradiated fuel for 2015. SMUD approved these funds through the annual budgeting process. Therefore, at the end of 2015, SMUD had committed and accumulated \$5,965,030 for the management of irradiated fuel for 2016.

In general, SMUD holds the position that it is not financially responsible for the cost of irradiated fuel management. This statement is supported by Federal Court decisions that have, without ambiguity, determined that the Federal Government is responsible for the ongoing costs of irradiated fuel and Greater-Than-Class-C (GTCC) waste management. However, SMUD will continue to provide funding, on an annual budget basis, for ongoing costs for irradiated fuel management, including the costs of implementing changing regulations, relicensing and unforeseen circumstances. SMUD is committed to providing for the safe storage of the material and a high level of compliance with NRC regulatory requirements as long as it remains at the Rancho Seco facility.

Irradiated Fuel Management Funding Plan

In accordance with 10 CFR 50.82(a)(8)(vii)(C), SMUD provides the following plan for accumulation of funds.

As noted above, the Federal Government is financially responsible for the ongoing costs of managing the irradiated fuel and GTCC waste. Nevertheless, SMUD intends to fund the ongoing management of the materials through annual budgets, and by taking the appropriate legal actions for periodic reimbursement of those costs from the Federal Government.

SMUD also demonstrates that it has the means to provide ongoing funding as it is a municipal utility incorporated under the California MUD Act. As such, SMUD has full legal authority to establish its own rates and charges and has legal authority to recover its costs from ratepayers. Irradiated fuel management is funded by our ratepayers through operating revenues. As an operating expense, these costs are senior to any debt service payment. The rate covenants in SMUD's bond resolutions require that revenues, after operating expenses (excluding non-cash type expenses such as depreciation), must be greater than SMUD's debt service each year. Thus, the covenants provide assurance that cash necessary to fund irradiated fuel management will be available in any given year.

In addition, SMUD, as a municipal utility, cannot avoid its obligation to provide for irradiated fuel management through bankruptcy or dissolution proceedings. The Bankruptcy Code allows for a municipal reorganization where the municipal's liabilities and obligations must eventually be paid. The California Government Code affords similar protection and would require any successor to SMUD to satisfy all debts and

obligations including the costs of irradiated fuel management, before any part of SMUD's electric system could be sold or encumbered.

SMUD believes that the information provided in this letter provides reasonable assurance that SMUD can provide for the safe management of the irradiated fuel and GTCC waste until the materials are accepted by the DOE.

If you or members of your staff have questions or require additional information, please contact me by email at dan.tallman@smud.org or by phone at (916) 732-4893.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan A. Tallman".

Dan A. Tallman
Manager, Rancho Seco Assets

(DAT)

Attachment 1: 2016 Rancho Seco Irradiated Fuel Management Cost Estimate

CC with Attachment: NRC, Region IV

ATTACHMENT 1
2015 IRRADIATED FUEL MANAGEMENT COST ESTIMATE

Irradiated Fuel Management Costs by Year

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Totals</u>
SMUD Labor	\$ 560,000	\$ 560,000	\$ 560,000	\$ 560,000	\$ 634,911	\$ 634,911	\$ 3,509,821
Relicensing	\$1,250,000	2,000,000,	\$ 900,000	\$ 260,000	\$ 150,000		\$ 2,560,000
Aging Management					\$ 105,063	\$ 105,063	\$ 210,125
Materials	\$ 24,400	\$ 24,400	\$ 24,400	\$ 24,400	\$ 19,903	\$ 19,903	\$ 137,406
Dues & Publications	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 182,148	\$ 182,148	\$ 604,296
Licenses & Fees	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 309,873	\$ 309,873	\$ 1,619,747
Other	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 210,000
Training & Travel	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 10,506	\$ 10,506	\$ 101,013
Outside Services	\$2,250,000	\$2,050,000	\$2,050,000	\$2,050,000	\$2,050,537	\$ 2,050,537	\$ 12,501,074
Insurance	\$ 560,000	\$ 560,000	\$ 560,000	\$ 560,000	\$ 491,693	\$ 491,693	\$ 3,223,385
Overhead	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 304,904	\$ 304,904	\$ 1,809,809
Facilities & Grounds	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 452,488	\$ 452,488	\$ 1,204,977
Fuel Loading Costs						\$ 6,306,439	\$ 6,306,439
Contingency (10%)	\$ 538,440	\$ 393,440	\$ 483,440	\$ 419,440	\$ 474,703	\$ 459,703	\$ 2,769,165
Total Annual Costs	\$5,922,840	\$4,327,840	\$5,317,840	\$4,613,840	\$5,221,729	\$11,363,167	

Total Irradiated Fuel Management Costs \$ 36,767,256