U.S. Department
of Transportation
**Maritime
Administration**

SAVANNAH Technical Staff
Office of Ship Disposal

1200 New Jersey Ave., SE
Washington, DC 20590

Ref: 10 CFR 50.75(f)(1), 50.82(a)(7) & 50.75(e)(1)(iv)

June 04, 2010

ATTN: Document Control Desk

U.S. Nuclear Regulatory Commission
Washington, DC 20555

SUBJECT: **Docket No. 50-238; License No. NS-1; N.S. *SAVANNAH***

Submittal of Decommissioning Funds Status Update for CY 2009 and Governmental Statement of Intent for Decommissioning Financial Assurance

References:
(a) Letter from Mr. Erhard W. Koehler (MARAD) to U.S. Nuclear Regulatory Commission., dated February 26, 2010, Annual Report for CY 2009, Revision 0.
(b) N.S. *SAVANNAH* Post Shutdown Decommissioning Activities Report (PSDAR), Revision 1, submitted December 11, 2008 under cover letter from Mr. Erhard W. Koehler (MARAD) to U.S. Nuclear Regulatory Commission.
(c) Regulatory Guide 1.159, Assuring the Availability of Funds for Decommissioning Nuclear Reactors, Rev. 1, October 2003

The Maritime Administration (MARAD) normally included its 50.75(f)(1) annual status report of decommissioning funding in its N.S. *SAVANNAH* (NSS) facility Annual Report required by Technical Specification 3.4.2. As noted in reference (a), beginning with CY 2009 MARAD will no longer include the decommissioning funds status report in its Annual Report. For the foreseeable future, the status of appropriated funding for decommissioning will have a direct correlation to the decommissioning schedule outlined in the PSDAR, Reference (b). Accordingly, the annual decommissioning funds status report will be submitted independently. MARAD hereby submits Revision 0 of the CY 2009 Decommissioning Funds Status Report as Enclosure 1.

The combined effects of MARAD's appropriations history in FY 2009 – 2010 and the budget request for FY 2011 are such that MARAD cannot meet the SAFSTOR Preparations activity schedule described in its PSDAR, Reference (b). Consequently, the CY 2009 Decommissioning Funds Status Report also addresses the 50.82(a)(7) requirement to notify the NRC, in writing, before making any significant schedule change from those actions and schedules described in the PSDAR.

Because the privity of the federal budgeting process precludes public notification of the content of agency budget requests prior to their submittal to the Congress, MARAD has determined that future 10 CFR 50.82(a)(7) notifications will be submitted under a 10 CFR 2.390 request for withholding. This Regulatory Commitment is listed in Enclosure 2.

The enacted appropriations for FY 2009 – 2010 and the FY 2011 budget request are continuations of the conditions described in Section 6.1 of reference (b). Reference (c) provides guidance to licensees on how to provide "reasonable assurance" of the availability of decommissioning funds. The recent unsuccessful

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efforts by MARAD to seek appropriations to support decommissioning activities might be cause to inappropriately question the "reasonableness" of the approach. Accordingly, the Maritime Administration has included a 50.75(e)(1)(iv) Statement of Intent for Decommissioning Financial Assurance as Appendix A to Enclosure 1. This statement of intent affirms that the Maritime Administration will satisfy its decommissioning obligations in a manner guaranteed and supported by the full faith and credit of the United States Government.

This submittal contains one new Regulatory Commitment.

If there are any questions or concerns with any issue discussed in this report, please contact me at (202) 366-2631, and/or e-mail me at erhard.koehler@dot.gov.

Respectfully,

Erhard W. Koehler
Senior Technical Advisor, N.S. *SAVANNAH*
Office of Ship Disposal

Enclosures

Enclosures

1. Decommissioning Funds Status Report 2009, STS - 126
2. List of Regulatory Commitments

cc:

Electronic copy
NSS ESC
NSS SRC

MAR 610, 612, 615

Hardcopy, cover letter only
MAR-600, 640, 640.2

Hardcopy w/ all enclosures
MAR-100, 640.2 (rf)
USNRC (John T. Buckley, Mark C. Roberts)
USNRC Regional Administrator - NRC Region I
MD Department of the Environment (Roland G. Fletcher; George S. Aburn, Jr.)
NC Department of Environment & Natural Resources (Beverly O. Hall)
SC Department of Health & Environmental Control (Susan E. Jenkins; Aaron Gantt)
VA Department of Emergency Management (Michael M. Cline)
VA Department of Health (Leslie P. Foldesi)

EWK/jmo

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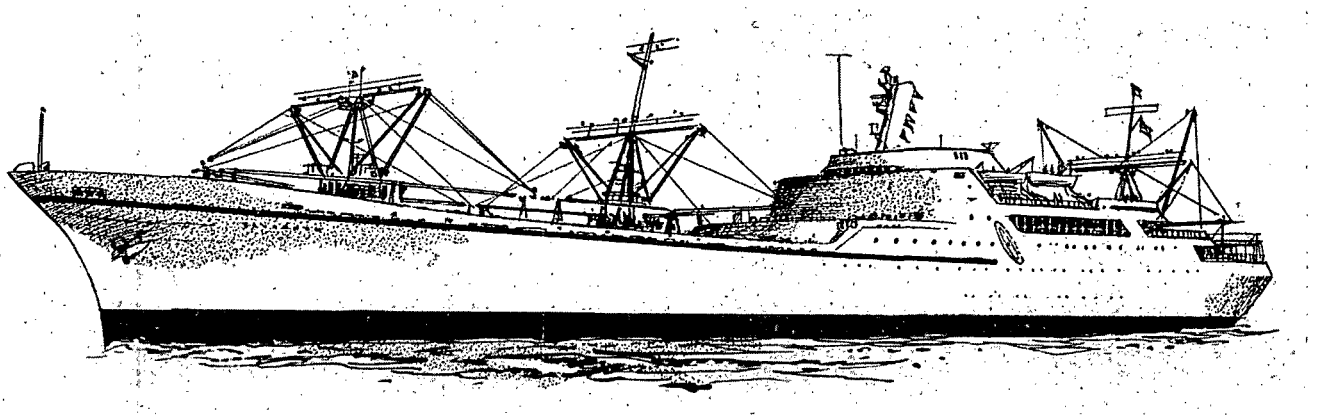
Docket No. 50-238; License No. NS-1; N.S. *SAVANNAH*

Enclosure 1 to Submittal of Decommissioning Funds Status Update for CY 2009 and Governmental Statement of Intent for Decommissioning Financial Assurance

DECOMMISSIONING FUNDS STATUS REPORT 2009, STS - 126

U.S. Department of Transportation
Maritime Administration
Office of Ship Disposal



N.S. SAVANNAH

DECOMMISSIONING FUNDS STATUS REPORT 2009

STS - 126
Revision 0

Approved: _____ JUNE 04, 2010
Manager, N.S. *SAVANNAH* Programs Date

Prepared by:
Sayres and Associates Corporation

RECORD OF REVISIONS

Revision	Summary of Revisions
0	The original version of the 2009 Decommissioning Funds Status Report, License NS-1

LIST OF EFFECTIVE PAGES

Page No.	Rev. No.	Page No.	Rev. No.	Page No.	Rev. No.
1	0	2	0	3	0
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1.0 INTRODUCTION

In accordance with the requirements of 10 CFR 50.75(f)(1), each power reactor is required to report the status of its decommissioning funds to the NRC on a calendar year (CY) basis. Because the N.S. *SAVANNAH* (NSS) has already closed [as defined in 10 CFR 50.75(f)(1)], it is required to report annually. As described in Reference (a), the Maritime Administration (MARAD) has previously included this status report in its facility Annual Report, but has chosen to submit an independent decommissioning funds status report beginning this year.

This report covers CY 2009 and is arranged into two sections. Section 2.0 provides a discussion of the five items required by the regulations, and incorporates the guidance contained in Regulatory Guide (RG) 1.159-1, "Assuring the Availability of Funds for Decommissioning Nuclear Reactors," Rev 1, Reference (b). Section 3.0 provides a discussion of the impacts of decommissioning funding constraints on the activity schedule contained in the Post Shutdown Decommissioning Activities Report (PSDAR), Rev. 1, Reference (c), which was submitted on December 11, 2008. This discussion is intended to meet the 10 CFR 50.82(a)(7) requirement to notify the NRC, in writing, before making any significant schedule change from those actions and schedules described in the PSDAR. Section 3.0 also discusses the methodology employed by MARAD to meet the 10 CFR 50.75 decommissioning funds financial assurance requirements. Appendix A provides MARAD's "Statement of Intent" to satisfy the 10 CFR 50.75(e)(1) requirement to provide the licensee's financial assurance methodology to the NRC.

2.0 ITEMS REQUIRED BY 10 CFR 50.75(F)(1)

The report must include, at a minimum, the following:

a. the amount of decommissioning funds estimated to be required, pursuant to 10 CFR 50.75(b) and (c), or a site-specific estimate, if greater than the amount in 10 CFR 50.75(c), as appropriate (or for a reactor that is neither a BWR or a PWR);

b. the amount accumulated to the end of the calendar year preceding the date of the report to meet 10 CFR 50.75 requirements;

c. a schedule of the annual amounts remaining to be collected, the assumptions used regarding rates of escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections;

d. any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(v); and,

e. any modifications to a licensee's current method of providing financial assurance occurring since the last submitted report, including material modifications to decommissioning trust agreements.

2.1 STATEMENT REGARDING DECOMMISSIONING FUNDS

The NSS and its nuclear reactor are federally-owned facilities, represented by the United States Department of Transportation, acting by and through the Maritime Administration. As such, funding for the decommissioning and disposal of the NSS reactor and nuclear systems components and waste must be provided by appropriations from the United States Congress. MARAD maintains no decommissioning funding reserve, nor does it accumulate or collect funds for decomissioning. As allowed by 10 CFR 50.75(e)(1)(iv), MARAD will obtain funds for decommissioning when necessary. Consequently, items (b) thru (d) above, and the second part of item (e) are not applicable to the NSS.

Regarding item (a), MARAD refers to the decommissioning estimates provided in its PSDAR, Rev 1, Reference (c). The capital project estimates for SAFSTOR Preparations and DECON are current as of October 1, 2008. Funding for these projects must be the subject of specific appropriations requests.

Funding to continue current operations and for the projected SAFSTOR Operations period of decommissioning described in reference (c) will be borne by MARAD's annual appropriations.

Regarding item (e), there has been no modification to MARAD's current method of providing financial assurance for decommissioning funding.

2.2 CY 2009 FUNDS STATUS

The period covered by the CY 2009 status report includes three federal fiscal years (FY); this report addresses each of the involved fiscal years and subsequent reports will retain this pattern of reporting. FY 2009 began on October 1, 2008 and ended on September 30, 2009. The FY 2010 President's Budget Request was submitted to the Congress in February 2009; FY 2010 began on October 1, 2009 and continues through September 30, 2010. From mid-June 2009 to the end of the year, MARAD worked on the development and review of the FY 2011 President's Budget Request. At the end of the reporting period, the FY 2011 budget request details were embargoed pending the submission of the President's Budget Request to the Congress. Because the details of the FY 2011 budget request were revealed prior to writing this report, and because the report is reasonably expected to be forward-looking, these details are included herein even though they fall outside the calendar year reporting period.

2.2.1 FISCAL YEAR 2009 ENACTED

The enacted MARAD appropriation for FY 2009 included $3.0M for all NSS activities. Although decommissioning activities were included in the appropriations language, no dollar amount was specified for them.

2.2.2 FISCAL YEAR 2010 ENACTED

The enacted MARAD appropriation for FY 2010 includes $3.0M for all NSS activities. Although decommissioning activities are included in the appropriations language, no dollar amount is specified for them.

2.2.3 FISCAL YEAR 2011 REQUESTED

The MARAD budget request for FY 2011 NSS activities is $3.0M. No specific dollar amount is requested or described for decommissioning activities (SAFSTOR Preparations).

2.3 CLARIFICATIONS OF PREVIOUSLY REPORTED INFORMATION FOR CY 2007 AND CY 2008

The two previous facility annual reports, References (d) and (e) covered CY 2007 and 2008 respectively. Those reports included the 10 CFR 50.75(f)(1) decommissioning funds status reports for those calendar years. Excerpts from those status reports are repeated herein for context:

> CY 2007: "Appropriated funds for FY 2008 are $4.7 million and are sufficient to support long-term layberthing following the current dry-docking. In 2009, $3.0 million is requested to continue activities required to bring the nuclear facilities into compliance with current SAFSTOR standards as compared to the Mothballed standards of 1974-1976. At the $3.0 million level, SAFSTOR preparation work will extend to 2011."
>
> CY 2008: "Appropriated funds for FY 2008 were $4.7 million and were sufficient to support long-term layberthing following the drydocking. At the onset of FY 2009 (October 1, 2008), $3.0 million had been requested to continue NSS licensed activities and SAFSTOR preparations." At the time this statement was submitted, the Federal Government was operating on a Continuing Resolution (CR) through March 6, 2009.

During CY 2007, decommissioning funds were available from the FY 2007 (10/01/2006 – 09/30/2007) and FY 2008 (10/01/2007 – 09/30/2008) appropriations. The CY 2007 decommissioning funds status

report should have included information from those source years. Neither appropriation specified an amount for decommissioning; rather, decommissioning activities were among the several authorized activities for which funds were provided. Similarly, during CY 2008, decommissioning funds were available from the FY 2008 (10/01/2007 – 09/30/2008) and FY 2009 (10/01/2008 – 09/30/2009) appropriations. The CY 2008 report correctly identified these two fiscal years as the source of appropriated decommissioning funds. Again, decommissioning was only one of several activities authorized within the total amount available for the NSS in each fiscal year.

In FY 2007, MARAD received $2.9M for NSS operations as part of a full-year Continuing Resolution. The budget request submitted to Congress included $9.9M for NSS activities, but OMB direction precluded submission of an exception request (to the CR) to provide funding at the requested amount. A $5.3M reprogramming request was later submitted and approved in August 2007; the additional funds were provided for the drydocking availability that was awarded the same month (the drydocking was performed during FY 2008). This information should have been included in the CY 2007 Annual Report / 10 CFR 50.75(f)(1) report.

3.0 OTHER NRC REPORTS

3.1 10 CFR 50.82(A)(7) PSDAR SCHEDULE CHANGES

MARAD's PSDAR, Reference (c), includes a description of planned decommissioning activities in Section 3.0, and a schedule of activities in Section 5.0. Period 1, SAFSTOR Preparations, was expected to complete in December 2011, with Period 2, SAFSTOR Operations, to commence immediately thereafter. Period 2 would continue until DECON Preparations commenced; no later than 2025. Because appropriated funds have not been provided to support the SAFSTOR Preparation activities, those activities will not be completed by December 2011. MARAD does not intend at this time to modify the scope of period-based activities, and will complete SAFSTOR preparations as funding allows. If SAFSTOR funding is included in the MARAD enacted appropriations for FY 2011, the delay in completing Phase 1 will be minimized.

10 CFR 50.82(a)(7) requires licensees to notify the NRC, in writing, **before** (emphasis added) making any significant schedule change from those actions and schedules described in the PSDAR. Because of the privity of the Federal budget development process, MARAD cannot submit public notification to the NRC even when it can reasonably anticipate that the budget development will result in significant changes to the PSDAR schedule. Although MARAD did not make notifications during CY 2009, it has determined that in future it will submit written notification under a 10 CFR 2.390 request for withholding whenever it is reasonable and prudent to do so.

3.2 10 CFR 50.75(E)(1)(IV) FEDERAL STATEMENT OF INTENT

Reference (b) Section 2.5, Governmental Statement of Intent, discusses that a government licensee or license applicant as designated in 10 CFR 50.75(e) is allowed to submit a statement of intent that contains a cost estimate for decommissioning and indicates that funds for decommissioning will be obtained when necessary. Federal licensees, such as MARAD, are the only government licensees allowed to use a statement of intent for power reactors. The statement of intent should contain the following:

- Identification of the facility or facilities for which it provides the financial assurance and the corresponding decommissioning costs.
- An indication that funds for decommissioning will be requested and obtained sufficiently in advance of decommissioning to prevent delay of required activities.
- Evidence of the authority of the official of the government entity to sign the statement of intent and evidence that the licensee's decommissioning obligation is supported by the full faith and credit of the U.S. Government.

This information was effectively addressed in the Sections 6.0 and 6.1 of the PSDAR, reference (c). In order to affirm this information, MARAD is submitting its Statement of Intent as Appendix A to this report.

4.0 REFERENCES

a. Letter from Mr. Erhard W. Koehler (MARAD) to U.S. Nuclear Regulatory Commission, dated February 26, 2010, Annual Report for CY 2009, Revision 0.

b. Regulatory Guide 1.159, Revision 1, Assuring the Availability of Funds for Decommissioning Nuclear Reactors, October 2003

c. N.S. *SAVANNAH* Post Shutdown Decommissioning Activities Report (PSDAR), Revision 1, submitted December 11, 2008 under cover letter from Mr. Erhard W. Koehler (MARAD) to U.S. Nuclear Regulatory Commission.

d. Letter from Mr. Erhard W. Koehler (MARAD) to U.S. Nuclear Regulatory Commission, dated February 28, 2008, Annual Report for CY 2007, Revision 0.

e. Letter from Mr. Erhard W. Koehler (MARAD) to U.S. Nuclear Regulatory Commission, dated February 28, 2009, Annual Report for CY 2008, Revision 0.

APPENDIX A. STATEMENT OF INTENT

In accordance with the provisions of 10 CFR 50.75(e)(1)(iv), the purpose of this Statement of Intent is to provide evidence of financial assurance on the part of the United States Department of Transportation, acting by and through the Maritime Administration (MARAD) as licensee for the Nuclear Ship *SAVANNAH*, License NS-1. This Statement of Intent affirms that decommissioning funds for the NS-1 facility will be requested by MARAD and provided through Federal appropriations as allowed for Federal licensees under 10 CFR 50.75(e)(1)(iv).

A.1. IDENTIFICATION OF THE FACILITY FOR WHICH MARAD PROVIDES THE FINANCIAL ASSURANCE

Nuclear Ship (N.S.) *SAVANNAH*, License No. NS-1

A.2. DECOMMISSIONING COSTS

This information was provided in Section 6.0, Estimate of Expected Decommissioning Costs of the N.S. *SAVANNAH* Post Shutdown Decommissioning Activities Report (PSDAR), Revision 1, submitted December 11, 2008 under cover letter from Mr. Erhard W. Koehler (MARAD) to U.S. Nuclear Regulatory Commission.

A.3. STATEMENT THAT FUNDS FOR DECOMMISSIONING WILL BE REQUESTED AND OBTAINED SUFFICIENTLY IN ADVANCE OF DECOMMISSIONING TO PREVENT DELAY OF REQUIRED ACTIVITIES

The Maritime Administration recognizes that it bears ultimate responsibility for requesting budgetary resources in sufficient quantity to meet its decommissioning obligations and to prevent delay of its required activities. The agency will continue to work with the Executive offices and the Congress to ensure that such appropriations are provided in a timely manner, particularly with respect to the license termination deadline. In the interim the Agency will continue to request and/or provide resources to support the NSS as required.

A.4. EVIDENCE OF THE AUTHORITY OF THE OFFICIAL OF THE GOVERNMENT ENTITY TO SIGN THE STATEMENT OF INTENT

This Statement of Intent is transmitted under the signature authority of the Maritime Administration's Senior Technical Advisor, N.S. *SAVANNAH*, in accordance with the provisions of Technical Specification 3.1.2. Prior to signature, this document was routed for concurrence in accordance with established MARAD procedures. Interagency correspondence is required to receive concurrence at the Administrator level. Acting Maritime Administrator David T. Matsuda concurred on this document (concurrence record on file and available for inspection). The Maritime Administrator's authority is delegated from the (United States) Secretary of Transportation under the provisions of 49 CFR Parts 1.45 and 1.66.

This Statement of Intent is signed by David J. Rivait, Associate Administrator for Budget and Programs / Chief Financial Officer. The Associate Administrator's responsibility to exercise overall financial management of the Maritime Administration on behalf of the Maritime Administrator is described in Maritime Administrative Order (MAO) 25-1, dated January 13, 2009. MAO 25-1 also delegates specific authority to the Associate Administrator to formulate the agency's budget.

A.5. EVIDENCE THAT THE LICENSEE'S DECOMMISSIONING OBLIGATION IS SUPPORTED BY THE FULL FAITH AND CREDIT OF THE U.S. GOVERNMENT.

The Maritime Administration is a Federal Licensee. As defined by NRC in 10 CFR 50.2, a Federal Licensee is one whose obligations "are guaranteed by and supported by the full faith and credit of the United States Government." No further evidence is required.

A.6. CERTIFICATION

I am the Associate Administrator for Budget and Programs / Chief Financial Officer of the United States Department of Transportation, Maritime Administration. This Statement of Intent supports this agency's use of Federal Appropriations to demonstrate its financial assurance for decommissioning funding, as specified in 10 CFR Part 50.75.

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

Executed on June 2, 2010.

Respectfully,

David J. Rivait
Associate Administrator for Budget and Programs /
Chief Financial Officer
Maritime Administration

U.S. Department
of Transportation
**Maritime
Administration**

SAVANNAH Technical Staff
Office of Ship Disposal

1200 New Jersey Ave., SE
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Docket No. 50-238; License No. NS-1; N.S. *SAVANNAH*

Enclosure 2 to Submittal of Decommissioning Funds Status Update for CY 2009 and Governmental Statement of Intent for Decommissioning Financial Assurance

LIST OF REGULATORY COMMITMENTS

The following table identifies those actions committed to by MARAD in this document. Any other statements in this submittal are provided for information purposes and are not considered to be regulatory commitments. Please direct questions regarding these commitments to Erhard Koehler (202) 366-2631, and/or erhard.koehler@dot.gov.

REGULATORY COMMITMENT	TYPE (Check One)		DUE DATE
	One Time Action	Continuing Action	
Because the privity of the federal budgeting process precludes public notification of the content of agency budget requests prior to their submittal to the Congress, MARAD has determined that future 10 CFR 50.82(a)(7) notifications will be submitted under a 10 CFR 2.390 request for withholding.	☐	☒	As required by 10 CFR 50.82(a)(7)