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March 5, 2010

The Honorable Dr. Steven Chu
Secretary of Energy
U.S. Department of Energy
Forrestal Building 7A-257
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Re: Payments to the Nuclear Waste Fund

Dear Dr. Chu:

Xcel Energy, on behalf of its regulated subsidiaries – Northern States Power Company-Minnesota and Northern States Power Company-Wisconsin – and in light of the administration's zeroing out the 2011 budget for Yucca Mountain¹ and the recent request by the Department of Energy (DOE) to withdraw with prejudice its Yucca Mountain license application, respectfully requests that the one mill per kilowatt-hour nuclear waste fund fee be suspended until Congress enacts and DOE begins implementing a new nuclear waste strategy that requires more funds than are generated by the interest on the existing balance in the Nuclear Waste Fund (NWF).

As you are aware, Xcel Energy has been very supportive of the need for adequate funding for the federal government to fulfill its statutory and contractual obligations and begin removing used fuel from nuclear plant sites. However, recent developments call for a review of previous funding levels.

Section 302 of the Nuclear Waste Policy Act (NWPA) requires the Secretary of Energy to annually review and determine whether the one mill per kilowatt-hour fee currently paid by utilities into the NWF is sufficient to offset the cost of the DOE's used nuclear fuel management program and, if it is not, to adjust the fee accordingly.² To our knowledge, the last fee adequacy analysis was prepared in 2008 and one has not been prepared since the DOE announced that it was developing a new strategy of dealing with nuclear waste and was terminating the development of a deep geological repository at Yucca Mountain. Even if a fee adequacy analysis has been prepared since then, a fee of more than zero cannot be justified now, given the DOE's motion to withdraw the license application pending before the Nuclear Regulatory Commission and the absence

¹ *Budget of the U.S. Government, Fiscal year 2011, Appendix 437, Terminations, Reductions, and Savings*, at 4.

² NWPA, Sec.302(d).

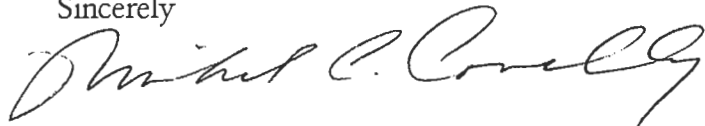
of any current program to replace Yucca Mountain. While we trust the DOE will meet its obligation to take nuclear waste, at this time no alternative program exists. Considering these actions, the DOE has no basis to justify the continued collection of any additional money for the NWF.

The NWPA specifies that money deposited in the NWF is to fund the DOE's civilian nuclear waste program authorized by that Act. Since 1983, electricity customers across the country have paid over \$30 billion into the NWF, including interest. Over \$750 million is paid into the NWF annually, and the fund's current balance is \$22 billion. Xcel Energy's customers in Minnesota, North Dakota, South Dakota, Wisconsin and Michigan have contributed \$398 million to the fund, or approximately \$13 million per year. The corpus of the fund will continue to earn interest (approximately \$1 billion per year³) until an alternative disposal option is identified and enacted into law and a fee adequacy determination is performed based on the new program. The interest that continues to accrue is more than sufficient to pay for any on-going costs until that time.

On October 8, 2009, the DOE denied requests⁴ by the Nuclear Energy Institute and the National Association of Regulatory Commissioners to suspend the fee based on the administration's and DOE's intention to terminate the Yucca Mountain program. The basis of DOE's rejection was that "all of the fees collected in the Nuclear Waste Fund are essential to meet the obligations of the Federal Government for managing and ultimately disposing of spent nuclear fuel and high-level radioactive waste." In light of the pronouncements by DOE and the administration, and particularly in light of the DOE's March 3 motion to withdraw the Yucca Mountain license application, DOE no longer has a program "for managing and ultimately disposing of spent nuclear fuel and high-level radioactive waste." Thus, there is no basis to claim that further collection of nuclear waste fees by the government is necessary until a replacement program is available. The collection of the one mill fee should therefore be temporarily suspended.

Thank you for your attention to this matter.

Sincerely



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³ *Summary of Program Financial & Budget Information*, Office of Civilian Radioactive Waste Management presentation, December 31, 2009 (slide 4).

⁴ Separate requests were made by NEI and NARUC on July 8, 2009.