



REGULATORY GUIDE

OFFICE OF STANDARDS DEVELOPMENT

REGULATORY GUIDE 9.4

SUGGESTED FORMAT FOR CASH FLOW STATEMENTS SUBMITTED AS GUARANTEES OF PAYMENT OF RETROSPECTIVE PREMIUMS

A. INTRODUCTION

In December 1975, Congress extended and modified the Price-Anderson Act. One modification was to establish retrospective premiums as the second layer of financial protection in the three-layered Price-Anderson system. To implement this modification, the Commission promulgated in August 1977 a regulation (10 CFR § 140.21) that requires each licensee to provide evidence that it maintains any one or a combination of six guarantees of payment of deferred or retrospective premiums. Such a guarantee would be in an amount of \$10 million annually for each licensed operating reactor rated at 100 MW(e) or more.

Since implementation of § 140.21, the Commission has found that most licensees prefer to guarantee payment of retrospective premiums by submitting certified financial statements showing that a cash flow can be generated and would be available for payment of retrospective premiums within three months after submission of the statement. In paragraph 140.21(e), cash flow is defined as "cash available to a company after operating expenses, taxes, interest charges, and dividends have been paid." Licensees have generally followed this definition when submitting cash flow statements. However, the required information has been submitted in somewhat different formats, and some licensees have included unusual items (e.g., "other sources" or "external financing") that are not appropriate or require further clarification. These non-standardized submissions add to the time required by the NRC staff to analyze them. This guide suggests a simplified format that, if used, should reduce the burden to licensees of preparing cash flow statements and to the staff of analyzing them. This simplified format is based on

statements of changes in financial position (sources and uses of funds) that are normally prepared by utilities and other concerns as one of a number of conventional financial statements.

B. SUGGESTED FORMAT FOR CASH FLOW STATEMENTS SUBMITTED AS GUARANTEES OF PAYMENT OF RETROSPECTIVE PREMIUMS.

Licensees preparing cash flow statements should follow the guidelines presented below. A sample statement is included as Table 1.

1. The statement title should indicate that the licensee's cash flow statement refers to a particular plant or plants and is projected over the appropriate year. Licensees should use either the calendar year or the corporate fiscal year for which they have the latest projections.

2. The components or line items of cash flow against which licensees should report should be limited to (a) net income after taxes, (b) dividends paid, (c) retained earnings, (d) depreciation and amortization adjustments, (e) allowance for funds used during construction, and (f) deferred income taxes and investment tax credits. Other categories are not necessary and should be included only if documented and defined. Negative values should be indicated either in parentheses or by minus signs. If a cash flow line item is not applicable to a particular utility or plant (e.g., allowance for funds used during construction), the licensee should explain why.

3. If a particular plant has multiple owners, the cash flow of each owner should be included unless the principal licensee states that its cash flow statement covers all or some other owners. If certain owners are providing guarantees in forms other than cash

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flow statements, these should be enclosed with the guarantee of the principal licensee. Also, the owner's total contingent liability for retrospective premiums for all licensed nuclear plants in which it has ownership shares should be indicated on one statement.

4. Total cash flow projected for the year should be divided by four to indicate that cash flow can be generated and would be available for payment of retrospective premiums within three months after submission of the statement. The staff, of course, recognizes that this calculation may not reflect the licensee's actual quarterly cash flow position.

5. An important part of the staff's analyses of cash flow statements is a comparison of projected cash flow with actual cash flow for the most recent com-

pleted annual period. Thus, it would be helpful to have both years juxtaposed on the cash flow statement as shown in Table 1. Also, any significant deviations between the two years in either total cash flow or its components should be explained by the licensee.

C. IMPLEMENTATION

Because the format suggested in this guide is a simplified format based on financial statements normally prepared by utilities, it may be used immediately by licensees in developing annual submittals required in 10 CFR § 140.21.

Table 1
Suggested Format for a Cash Flow Statement

19XX Internal Cash Flow Projection
for (Name) Nuclear Power Station
(Dollars In Thousands)

	<i>Prior Year Actual Total</i>	<i>Projection Year Total</i>
Net Income After Taxes	SXXX,XXX	SXXX,XXX
Less Dividends Paid	<u>(XXX,XXX)</u>	<u>(XXX,XXX)</u>
Retained Earnings	\$ XX,XXX	\$ XX,XXX
Adjustments:		
Depreciation and Amortization	SXXX,XXX	SXXX,XXX
Deferred Income Taxes and Investment Tax Credits	XX,XXX	XX,XXX
Allowance for Funds Used During Construction	<u>(XXX,XXX)</u>	<u>(XXX,XXX)</u>
Total Adjustments	<u>SXXX,XXX</u>	<u>SXXX,XXX</u>
Internal Cash Flow	<u>SXXX,XXX</u>	<u>SXXX,XXX</u>
Average Quarterly Cash Flow	<u>\$ XX,XXX</u>	<u>\$ XX,XXX</u>
Percentage Ownership in All Operating Nuclear Units		Unit name XXX.XX% Unit name XX.XX% Unit name XX.XX%
Maximum Total Contingent Liability		\$ <u>XX,XXX</u>

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