

June 6, 2000

MEMORANDUM TO: John W. Craig  
Assistant for Operations/OEDO

FROM: Nader L. Mamish, Materials Coordinator /RA/  
OEDO

SUBJECT: 2000 AUDIT FOLLOW UP REVIEW

I was assigned to follow up on the OIG Audit Report OIG/95A-20, "NRC's Decommissioning Financial Assurance For Federal Licensees May Not be Sufficient," in accordance with OMB Circular A-50 and Management Directive 6.1. The purpose of this audit was to ensure that management actions taken in response to the OIG report have satisfied recommendations made in the report.

Based on my review of the audit and related documents, and my discussions with the staff, I concluded that management had appropriately responded to the OIG recommendations and that the intent of the original recommendations has been satisfied. Details of the audit follow up review that I conducted and the results are discussed in the attached summary.

Attachment: As stated

cc: W. Travers  
F. Miraglia  
C. Papriello  
M. Satorius  
D. Corley

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**Audit of Actions Taken in Response to OIG Audit Report OIG/95A-20,  
“NRC’s Decommissioning Financial Assurance For Federal  
Licensees May Not be Sufficient”**

On March 1, 1996, the OIG provided a draft audit report concerning the agency’s decommissioning financial assurance requirements for Federal licensees. (The official audit report was subsequently issued on April 3, 1996.) In its report, the OIG found that the NRC’s decision to allow Federal licensees to use a statement of intent to meet decommissioning funding requirements for their nuclear power plants was questionable. The OIG found that the NRC’s decision was based primarily on the assumption that the Federal government would pay the financial obligations of the lone Federal licensee, the Tennessee Valley Authority (TVA), should it be unable to do so. The OIG therefore recommended that the staff re-evaluate the basis for allowing Federal licensees who operate power reactors to use a statement of intent for decommissioning financial assurance.

On March 22, 1996, the Deputy Executive Director for Nuclear Reactor Regulation, Regional Operations and Research, responded to the OIG report. The response agreed with OIG’s recommendation that the staff re-evaluate the basis for allowing Federal power reactor licensees to use a statement of intent for decommissioning financial assurance. The response committed that: (1) staff would conduct the re-evaluation in the context of an overall review of the NRC’s decommissioning funding assurance and financial qualification regulations; and (2) the staff would complete the review as part of an action plan to address electric utility restructuring, which the staff submitted to the Commission.

On April 8, 1996, the staff published an Advanced Notice for Proposed Rulemaking (ANPR) for “Financial Assurance Requirements for Decommissioning Nuclear Power Reactors,” in response to the potential deregulation of the power generating industry. As a result of the OIG report, the staff included some questions on decommissioning funding assurance for Federal government licensees in the ANPR. After the comment period for the ANPR expired, a proposed rule was published on September 10, 1997, which provided a new definition of “Federal licensee.” The final rule, containing the definition of a “Federal licensee” was approved by the Commission on September 2, 1998, and was published in the Federal register on September 22, 1998<sup>1</sup>.

After publication of the final rule, TVA reviewed its financial decommissioning and determined that it does not fit the definition of a “Federal licensee.” As a result, TVA switched its financial assurance instrument from a statement of intent to an external sinking fund, consistent with 10 CFR 50.75(e)(1)(ii).

In summary, based on my review of the OIG report and related documents, and my discussion with the staff, I have concluded that the staff has fully resolved the OIG recommendations.

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<sup>1</sup> The definition of a “Federal licensee” in 10 CFR 50.2 stated that “Federal licensee means any NRC licensee, the obligations of which are guaranteed by and supported by the full faith and credit of the United States Government.”