

2.0 FINANCIAL QUALIFICATIONS

2.1 CONDUCT OF REVIEW

This chapter of the draft Safety Review Evaluation (DSER) contains the staff's review of the financial qualifications presented by the applicant in Chapter 2 of the Construction Authorization Request (CAR). The staff used Chapter 2 in NUREG-1718 as guidance in performing the review. The objective of this review is to assure that: 1) the applicant can properly construct the facility with adequate funding provided for engineering, design, materials, and quality assurance, and 2) principal structures, systems and components (PSSCs) and their design bases identified by the applicant provide reasonable assurance of protection against natural phenomena and the consequences of potential accidents. The staff evaluated the financial qualification information provided by the applicant by reviewing Chapter 2 of the CAR and supplementary information provided by the applicant. The applicant must demonstrate that it has planned for the necessary funds, considers alternative sources of funding, and considers any contingencies such as delays in government funding, other shortfalls, and cost overruns.

The applicant, Duke Cogema Stone & Webster (DCS), is a limited liability company registered in the State of South Carolina and headquartered in Charlotte, North Carolina. DCS is a consortium of Duke Engineering & Services, Inc., COGEMA, and Stone & Webster, Inc. The applicant is proposing to construct the Mixed Oxide (MOX) Fuel Fabrication Facility (MFFF) at the U.S. Department of Energy's (DOE's) Savannah River Site (SRS) in Aiken, South Carolina, under a cost-plus-fixed-fee contract with DOE. COGEMA, a French company, owns 30 percent of DCS. The remainder of the corporation is owned by Duke Engineering & Services (40 percent) and Stone & Webster, Inc. (30 percent), which are both United States companies. In a proprietary document, the applicant provided financial statements and an estimate of project costs.

Duke Engineering & Services recently announced it is negotiating to sell the corporation to Framatome ANP. The sale has not yet been completed. The applicant indicated that Duke Energy will assume the Duke Engineering & Services ownership share in DCS and Framatome will provide consulting services to DCS under an existing contract. The applicant committed to provide details of the new organization when the sale is completed.

2.1.1 Project Costs

The applicant has a contract with DOE to design, construct, and operate the MFFF. The Base Scope of Work of the contract covers design and engineering of the MFFF. An option, which has not yet been exercised, includes construction, functional testing, and preliminary startup. A second option, also not yet exercised, includes final startup and full operations. All funding for completion of the MFFF will be from DOE. Other than for startup funding of \$2.6 million, the applicant does not plan to self-finance the facility or seek external funding other than that under the DOE contract. In the event of cost overruns or funding shortfalls, the applicant would seek additional funding from DOE. If such funds were not provided, the applicant would stop any ongoing engineering, design, and construction activities.

The applicant provided estimated project costs in proprietary documents. These costs included costs for facility design and construction. Design costs include licensing costs, contingencies, and escalation. Detailed design costs have not yet been submitted to the NRC, but will be when available. Construction costs included site preparation, materials, equipment, support

facilities, security features, contingencies, and escalation. The proprietary cost estimates and the applicant's financial plans through the DOE contract provide reasonable assurance that adequate funding exists to conduct proper facility engineering, design, and construction in accordance with the applicant's quality assurance program.

2.1.2 Financial Qualifications

The applicant is not a publically-held company and, therefore, is not required to submit Report 10-K to the U.S. Security and Exchange Commission. However, it provided a proprietary Independent Accountant's Review Report for the fiscal year ending December 31, 2000, and for the period of corporate inception (March 22, 1999), to December 31, 1999. Balance sheets, cash flows, income statements, and equity statements were included in the accountant's report. The Independent Accountant concluded that it was not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States. The financial statements indicated that there exist adequate levels of capital and funding to conduct construction operations.

2.1.3 Liability Insurance

Under 10 CFR 140.13a, a holder of a license to possess and use plutonium at a plutonium processing and fuel fabrication plant is required to have and maintain public liability insurance in the amount of \$200,000,000. This insurance is not required for MOX facility construction approval. The applicant stated that as a DOE contractor it is fully covered by the DOE nuclear liability protection under the Price-Anderson Act, as amended. Under Section 170d of the Atomic Energy Act, 42 U.S.C. 2210(d), the applicant and DOE have entered into an agreement that fully indemnifies the applicant and its contractors up to the statutory limit of liability. The applicant intends to request an exemption to 10 CFR 140.13a in its possession and use license application to use the DOE indemnification to meet its public liability insurance requirements.

2.2 EVALUATION FINDINGS

The staff reviewed the project costs, financial qualifications, and liability insurance plans for construction approval for the applicant, DCS, according to Chapter 2.0 of NUREG-1718. The staff evaluated estimates of project construction costs, sources of funds, contingencies, financial qualifications, and public liability insurance and found that these areas provide reasonable assurance that the applicant is qualified to properly construct the facility with adequate funding. However, the applicant needs to provide the design cost estimates before a complete finding under this section can be made (Section 2.1.1) (FQ-1).

DCS has stated that it will provide additional information concerning the open item identified by the staff as FQ-1 (Reference 2.3).

2.3 REFERENCE

Hastings, P., Duke Cogema Stone & Webster, letter to U.S. Nuclear Regulatory Commission, RE Clarification of Responses to NRC Request for Additional Information, April 23, 2002.