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October 21, 2009

US Nuclear Regulatory Commission  
ATTN: Mr. William Kennedy, Project Manager  
Office of Nuclear Reactor Regulation  
Mail Stop O12-G13  
One White Flint North  
11555 Rockville Pike  
Rockville, MD 20852-2738

Reference: Pennsylvania State University Breazeale Nuclear Reactor  
Docket No. 50-005, License No. R-2

Subject: Independent Accountants' Report

Dear Mr. Kennedy:

The attachment to this letter is the "*Independent Accountants' Report on Applying Agreed-Upon Procedures*". This attachment does not contain any sensitive information.

If there are any questions regarding the information submitted, please contact Mr. Mark Trump, Associate Director for Operations at the RSEC. I declare under penalty of perjury that the foregoing is true and correct.

Executed on October 21, 2009

Sincerely yours,

Kenan Ünlü  
Director, Radiation Science and Engineering Center  
Professor, Department of Mechanical and Nuclear Engineering

cc: E.J. Pell (w/o)  
A.A. Atchley (w/o)  
M.A. Trump

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Trustees of  
The Pennsylvania State University:

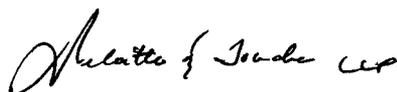
We have performed the procedures enumerated below, which were agreed to by The Pennsylvania State University (the "University") and the U.S. Nuclear Regulatory Commission (the "NRC"), solely to assist these specified parties in evaluating the University's compliance with the NRC's financial assurance regulations, Appendix E to 10 CFR Part 30, related to use of financial tests and self-guarantee for providing reasonable assurance of funds for decommissioning the Breazeale Reactor Facility, as of June 30, 2009. The University's management is responsible for the University's compliance with those regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- (a) The University has asserted that the University's Series B of 2009 Variable Rate Refunding Bonds has a rating of "A-1+" from Standard & Poor's and a rating of "Aa2/VMIG1" from Moody's. We compared such ratings to a letter from Standard & Poor's Rating Services to the University dated May 19, 2009 and to a letter from Moody's Investors Service to the University dated May 27, 2009, respectively, and found such ratings to be in agreement;
- (b) We inquired of University management and were informed that the ratings above are current;
- (c) The University has asserted that the University's Series B of 2009 Variable Rate Refunding Bonds is an uninsured, uncollateralized, and unencumbered bond. We agreed such assertions to the related information contained in the Official Statement dated May 27, 2009 pertaining to such Bonds.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.



October 21, 2009