

Eagle Rock Enrichment Facility Mandatory Hearing

ASLB Presentation Topic #2b Foreign Ownership and Control

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Exh. AESR00062





Presentation Overview

- ▶ Explain how the management and financial structure of AES relative to AREVA SA provides AES with appropriate management and financial independence and describe the potential effects foreign ownership could have on the ability of AES to meet its safety, environmental, financial, and security responsibilities
- ▶ Address whether financial difficulties of the parent corporation can result in truncation or termination of the EREF project or, conversely, if AES cannot otherwise obtain necessary funding, whether the parent corporations will supply such capital
- ▶ Explain how AES management and AES financial and operational structure differs from that of a typical United States corporate subsidiary of a foreign company when there are no statutory or regulatory controls on foreign ownership such as exist under the AEA and NRC regulations



Section 1: Explain how the management and financial structure of AES relative to AREVA SA provides AES with appropriate management and financial independence and describe the potential effects foreign ownership could have on the ability of AES to meet its safety, environmental, financial, and security responsibilities.

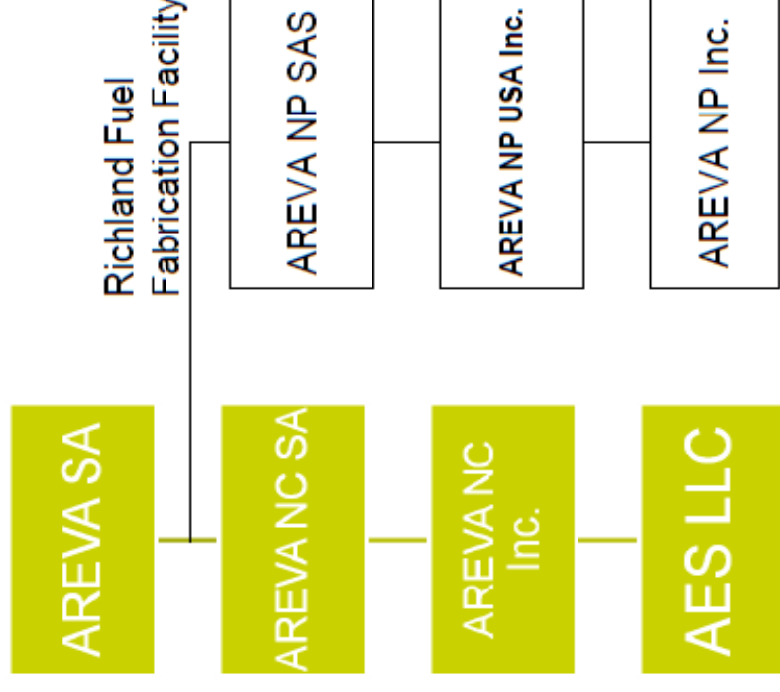
AES MANAGEMENT AND FINANCIAL INDEPENDENCE

AES Corporate Structure Overview

- ▶ AREVA SA is corporation formed under the laws of France (Exhs. AES000037 at 1.2-1; NRC000032 at 1-8)

- ◆ AREVA NC SA is part of AREVA, SA
- ◆ AREVA NC Inc. is a US corporation, wholly-owned subsidiary of AREVA NC SA
- ◆ AREVA Enrichment Services LLC ("AES") is a wholly-owned subsidiary of AREVA NC Inc.

- ▶ Structure similar to AREVA's existing fuel fabrication facility in Richland licensed under 10 CFR Part 70





AES Management Independence

- ▶ The AES President is the top executive of AES LLC (Exh. AES000001)
 - ◆ Responsible for operating EREF in compliance with Federal, State, and local safety, security, environmental, and financial requirements
 - ◆ Similar to senior management at other NRC licensees
- ▶ AES President has sole responsibility and decision-making authority for:
 - ◆ Operating EREF in compliance with Federal, State, and local safety, security, environmental, and financial requirements (Exh. AES000001)
 - ◆ Safety in design, construction, operation and decommissioning of the EREF (Exhs. AES000001; AES000037)
 - ◆ Quality Assurance related to design, construction, operation and decommissioning of the EREF (Exh. AES000001)
- ▶ Responsibilities not dictated by foreign ownership considerations

Role is similar to Chief Nuclear Officer (CNO) role at operating nuclear plants



AES Management Committee

- ▶ **Management Committee members represent AES's shareholders, AREVA NC Inc. and AREVA NC SA**
 - ◆ Oversees business and commercial activities, financial performance, organization, and other key commercial, industrial, and financial strategies (Exh. AES000001)
 - ◆ No influence over safety or QA in design, construction, operation and decommissioning of the EREF, or compliance with Federal, State, and local safety, security, environmental, and financial requirements (Exh. AES000001)
- ▶ **Responsibilities not dictated by foreign ownership considerations**
 - ◆ Role is similar to Board of Directors or Management Committee for other NRC licensees



Financial Independence

- ▶ **Enrichment contracts are directly between AES and customers**
 - ◆ Proceeds from SWU sales accrue to AES (not parent)
 - ◆ Proceeds from sales are used to fund O&M and other operations expenses at EREF
 - ◆ Only dividends in excess of costs are transferred to parent
- ▶ **Financial arrangements are similar to project company structures used by other NRC licensees (e.g., nuclear power plants)**
- ▶ **There are no unique foreign ownership considerations relative to financial independence at EREF**



Section 1 Summary

- ▶ **Foreign ownership does not have any unique effects on the ability of an entity like AES to meet its safety, environmental, financial, and security responsibilities**
- ▶ **AES approach to corporate governance and compliance responsibilities is similar to those of other NRC licensees (whether the ultimate parent is foreign or domestic)**
- ▶ **There are no unique foreign ownership considerations relative to management independence at EREF**



Section 2: Explain whether financial difficulties of the parent corporation can result in truncation or termination of the EREF project or, conversely, if AES cannot otherwise obtain necessary funding, whether the parent corporation will supply such capital.

FINANCIAL QUALIFICATIONS



Financial Qualification Overview

- ▶ Subject to certain conditions, the NRC has determined that AES (and its parent) are financially qualified to construct and operate the EREF (Exh. NRC000032 at 1-10)
- ▶ Commercial considerations may impact decisions by AES or its parent related to development of the EREF
 - ◆ Before or during construction
 - ◆ Before or during operation
- ▶ NRC requirements ensure that adequate financial assurance arrangements are in place to properly decommission EREF at any stage of construction or operation (Exh. NRC000032 at 10-15)



Financial Qualifications

License Condition – Construction

- ▶ **Construction of each phase of the EREF shall not commence before funding is available or committed (Exhs. AES000037 at 1.2-3 and NRC000032 at 1-9)**
- ▶ **Must have in place commitments for one or more of the following:**
 - ◆ **Equity contributions from AES or its parents**
 - ◆ **A commitment from the parent company to provide the necessary funds for the project**
 - ◆ **Lending and/or lease arrangements that solely or cumulatively are sufficient to ensure funding for the particular increment's construction costs**
- ▶ **Documentation of budgeted costs and source of funds available or committed to pay those costs available for NRC inspection**



Financial Qualifications License Commitment – Operation

- ▶ Operation of the EREF will not commence until AES has in place either (Exh. AES000037 at 1.2-3):
 - ◆ Long term contracts lasting five years or more that provide sufficient funding for the estimated cost of operating the facility for the five year period
 - ◆ Documentation of the availability of one or more alternative sources of funds that provide sufficient funding for the estimated cost of operating the facility for five years; or
 - ◆ Some combination of (1) and (2)

- ▶ Current status: *several billion dollars in SWU contracts already in place with US utilities*



Changes in Commercial Conditions

- ▶ From regulatory perspective, if license condition on financial qualifications is not satisfied, construction will not proceed
- ▶ From commercial perspective, changes in commercial/market conditions may impact EREF
- ▶ At all stages of operation, sufficient funds will be available to decommission facility and dispose of tails
- ▶ Current status: *long term SWU contracts secure funding during operation*



Section 3: Explain whether the AES management and AES financial and operational structure differ from that of a typical U.S. subsidiary of a foreign company in an instance when there are no statutory/regulatory controls on foreign ownership such as exist under the AEA and NRC regulations.

COMPARISON TO OTHER ENTITIES



Different Governance Models

- ▶ Foreign ownership considerations are not driving the AES corporate structure or approach to governance with respect to safety or QA in design, construction, operation and decommissioning of the EREF, or compliance with Federal, State, and local safety, security, environmental, and financial requirements
- ▶ AES is not aware of any differences between its approach and that of other NRC licensees whether the ultimate parent is foreign or domestic
- ▶ Example of other foreign owned nuclear companies with NRC license under 10 CFR Part 70
 - ◆ LES
 - ◆ Westinghouse
 - ◆ GNF (Global Nuclear Fuels)
 - ◆ AREVA NP – Richland Fuel Fabrication



Conclusions

- ▶ **AES President has sole responsibility and decision-making authority for:**
 - ◆ **Operating EREF in compliance with Federal, State, and local safety, security, environmental, and financial requirements**
 - ◆ **Safety in design, construction, operation and decommissioning of the EREF**
 - ◆ **Quality Assurance related to design, construction, operation and decommissioning of the EREF**
- ▶ **There are no unique foreign ownership considerations for EREF**
- ▶ **AES has appropriate management and financial independence**
- ▶ **License conditions ensure that AES remains financially-qualified to construct, operate, and decommission EREF**
- ▶ **AES financial and operational structure is similar to that of other NRC licensees – whether or not the parent company is foreign or domestic**