November 25, 2014

NOTE

FROM: Christopher Ryder, Licensing Project Manager

SUBJECT: Summary of Conference Call on November 3, 2014: Annual Certification to Demonstrate Continued Eligibility for Using the Self-Guarantee of Decommissioning Financial Assurance

Date and Time

Monday, November 3, 2014, at 1:30 PM (eastern)

Participants

NRC	Pennsylvania State University
Christopher Ryder[a]	Jeffrey Leavey[a]
Reginald Augustus[b]	Jody Murawski[c]
Kenneth Kline[b]	

Notes
a. Licensing Project Manager
b. Technical Reviewer
c. Director, Financial Reporting, Cost Analysis and Property Inventory

Background

Recent regulatory changes require a licensee to provide an opinion from an independent accountant on off-balance sheet transactions. The NRC staff sent a copy of a public letter (Ref. 1) to Pennsylvania State University (PSU), demonstrating that a licensee, Honeywell, was able to have their independent accountant provide an opinion, even though the opinion is, at first appearance, contrary to American Institute of Certified Public Accountants (AICPA) guidance. PSU had informed the NRC staff that they remain unable to provide an opinion from their accountant. The purpose of the call was for the NRC staff PSU staff to discuss the reasons for PSU being unable to provide the opinion so as to determine how the regulatory requirements could be met.

Discussion

Decommissioning funding plan rulemaking became effective in calendar year 2012, making changes in many areas. Prior to the rulemaking, the NRC staff had reasoned that both parent company guarantees and self-guarantees as financial assurance for decommissioning had a vulnerability in that reliance is placed on the parent company, or the licensee itself, instead of a third party for financial assurance. Thus, economic downturns or bankruptcy can limit financial assurance for decommissioning.

The rulemaking had been published for public comment. About 1½ years after the rulemaking, the AICPA had questions for the NRC staff about the language in the rule. Although their own guidelines prohibit an independent accountant from giving an opinion of the off-balance sheet transactions (OBST), an account can make a statement about the OBST numbers in relation to assets.

PSU had discussed the Honeywell letter (Ref. 1) with their independent accountant. PSU explained that the licensee of the subject letter is a public company; off-balance sheet transactions are public documents. Because PSU is not a public "company", off-balance sheet transactions are not public documents; the University is not required to disclose such information as would other organizations. Thus, PSU reports their financial status in accordance with AICPA guidance. PSU has accounting that is internal to the University. PSU has letters of credit that are not considered to be liabilities.

Given this, the NRC staff and PSU discussed what could possibly be done. PSU could possibly tabulate and sum the letters of credit on a spreadsheet for the independent accountant to verify. The independent accountant could then make a simple statement that the financial capabilities of PSU are greater that the risks.

Follow-Up Actions

PSU stated that they would try to draft a schedule of the credits in the next several weeks following the subject conference call. PSU would send the draft schedule to the NRC staff to determine whether or not the intent of the regulations is met, given a statement by the independent accountant.

References

1. Letter Jim Pritchett, Honeywell, "Supplemental Information Related to the Alternate Financial Assurance and Final Financial Instruments, Honeywell Metropolis Works (TAC L36036)", September 9, 2014. ADAMS accession number ML14254A423.