

January 20, 2016

Mr. Michael Anderson, President
Aerotest Operation, Inc.
3455 Fostoria Way
San Ramon, CA 94583

SUBJECT: AEROTEST OPERATIONS, INC. - REQUEST FOR ADDITIONAL INFORMATION
REGARDING APPLICATION FOR A CHANGE IN METHOD OF PROVIDING
FINANCIAL PROTECTION (TAC NO. MF6254)

Dear Mr. Anderson:

Pursuant to the regulations in Title 10 of the *Code of Federal Regulations* Section 140.14, "Types of Financial Protection," by letter dated May 6, 2015 (Agencywide Documents Access and Management System Accession No. ML15134A143), Aerotest Operations, Inc. submitted a request to the U.S. Nuclear Regulatory Commission to change the method of providing financial protection for the Aerotest Research and Radiography Reactor, Facility Operating License No. R-98.

During our review, questions have arisen for which additional information is needed. The enclosed request for additional information (RAI) identifies the additional information needed to complete our review. We request that you provide responses to the enclosed RAI within 30 days from the date of this letter.

If you need additional time to complete this request, or have any questions regarding this review, please contact me at (301) 415-3965, or by electronic mail at Spyros.Traiforos@nrc.gov.

Sincerely,

/RA/

Spyros A. Traiforos, Project Manager
Research and Test Reactors Licensing Branch
Division of Policy and Rulemaking
Office of Nuclear Reactor Regulation

Enclosure:
As stated

cc: See next page

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Enclosure:
As stated

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ADAMS Accession Number: ML15335A453 ***concurrence via email** **NRR-088**

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DATE	1/14/16	1/14/16	1/15/16
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NAME	AAdams	STraiforos	
DATE	1/14/16	1/20/16	

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Aerotest Operations, Inc.

Docket No. 50-228

cc:

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REQUEST FOR ADDITIONAL INFORMATION

AEROTEST OPERATIONS, INC.

AEROTEST RESEARCH AND RADIOGRAPHY REACTOR

DOCKET NO. 50-228

CHANGE IN METHOD FOR PROVIDING FINANCIAL PROTECTION

Pursuant to the regulations in Title 10 of the *Code of Federal Regulations* (10 CFR) Section 140.14, "Types of Financial Protection," by letter dated May 6, 2015 (Agencywide Documents Access and Management System Accession No. ML15134A143), Aerotest Operations, Inc. submitted a request to the U.S. Nuclear Regulatory Commission (NRC) to change the method of providing financial protection for the Aerotest Research and Radiography Reactor (ARRR). The proposed request would allow the ARRR to change its method of providing financial protection from "an effective policy of liability insurance from private sources" to the use of "adequate resources" from Aerotest's parent company, Autoliv ASP, Inc. consistent with the requirements of 10 CFR Section 140.14. Specifically, Aerotest will rely on Autoliv ASP, Inc. to demonstrate proof of financial protection through the use of adequate resources from its parent company; a parent company guarantee (PCG).

As explained below, the NRC staff has determined that additional supporting information is necessary to enable the staff to complete a detailed technical review of the PCG. Therefore, the staff is requesting additional supporting information to ensure that Aerotest is maintaining financial protection as required under 10 CFR Part 140 "Financial Protection Requirements and Indemnity Agreements."

10 CFR Section 140.15(c) states:

The Commission may require any licensee to file with the Commission such additional proof of financial protection or other financial information as the Commission determines to be appropriate for the purpose of determining whether the licensee is maintaining financial protection as required under this part.

In addition, 10 CFR Section 140.18, "Special provisions applicable to licensees furnishing financial protection in whole or in part in the form of adequate resources," states:

In any case where a licensee undertakes to maintain financial protection in the form specified in § 140.14(a)(2) for all or part of the financial protection required by this part, the Commission may require such licensee to file with the Commission such financial information as the Commission determines to be

Enclosure

appropriate for the purpose of determining whether the licensee is maintaining financial protection as required by this part.

Appendix A to 10 CFR Part 30, "Criteria Relating to Use of Financial Tests and Parent Company Guarantees for Providing Reasonable Assurance of Funds for Decommissioning," specifies two financial tests to demonstrate that a parent company has adequate financial strength to provide the guarantee. NUREG-1757, "Consolidated Decommissioning Guidance – Financial Assurance, Recordkeeping, and Timeliness," provides further guidance and criteria that the NRC uses to determine whether a particular PCG submission is acceptable.

The NRC staff has determined that criteria established in Appendix A to 10 CFR Part 30 and guidance in NUREG-1757 for decommissioning are appropriate for the purpose of evaluating Aerotest's PCG to determine whether Aerotest is maintaining financial protection as required under 10 CFR Part 140. Therefore, the NRC staff has determined that additional supporting information, as described below, is necessary to enable the NRC staff to complete a detailed technical review of the PCG.

Describe how Aerotest meets the criteria contained in Appendix A to 10 CFR Part 30 and NUREG-1757 for a PCG. For example, the licensee shall provide:

- (1) PCG agreement;
- (2) Letter from Chief Executive Officer of licensee;
- (3) Letter from Chief Financial Officer (CFO) of parent company, including PCG financial test (Financial Test I or II);
- (4) Auditor's special report confirming CFO letter and reconciling amounts in the CFO letter with parent company's financial statements;
- (5) Parent company's audited financial statements for the most recent fiscal year, including the auditor's opinion on the financial statements; and
- (6) Standby trust agreement and all supporting documentation.

The following sections of NUREG-1757 can assist in providing this information: Section 4.3.1 has generically applicable information on PCGs; Section 4.3.2.5 provides information related to the use of PCGs; Checklist 8-A and/or 8-B provide a checklist to aid you in completing the above information; and Appendix A-8 provides information related to the use of PCGs, and templates that can be used for your convenience. Aerotest may apply this information to its insurance requirements.