

March 21, 2016

Dr. Melinda Krahenbuhl, Director
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Reed Research Reactor
3203 SE Woodstock Blvd.
Portland, OR 97202-8199

SUBJECT: REED COLLEGE 2015 FINANCIAL ASSURANCE (SELF-GUARANTEE) U.S.
NUCLEAR REGULATORY COMMISSION STAFF REVIEW (TAC NO. M79578)

Dear Dr. Krahenbuhl:

Pursuant to Title 10 of the *Code of Federal Regulations* (10 CFR) 50.75(e)(1)(iii)(C), "Reporting and Recordkeeping For Decommissioning Planning," and Appendix E to 10 CFR Part 30, "Criteria Relating to Use of Financial Tests and Self-Guarantee for Providing Reasonable Assurance of Funds for Decommissioning by Nonprofit Colleges, Universities, and Hospitals," Reed College submitted a self-guarantee letter to the U.S. Nuclear Regulatory Commission (NRC) demonstrating financial assurance for decommissioning on October 16, 2015 (Agencywide Documents Access and Management System Accession No. ML15300A261).

The NRC staff completed its review and finds that the Reed College self-guarantee agreement meets the financial test criteria for a non-profit university that issues bonds, is sufficient for providing financial assurance, conforms to the guidance in NUREG-1757, Volume 3, Revision 1, "Consolidated Decommissioning Guidance: Financial Assurance, Recordkeeping, and Timeliness," and meets the applicable requirements of 10 CFR Part 30. Enclosed is a summary of the staff's financial review of Reed College's submittal

If you have any questions regarding this matter, please contact me at 301-415-0893 or by electronic mail at Geoffrey.Wertz@nrc.gov.

Sincerely,

/RA A. Adams for/

Geoffrey Wertz, Project Manager
Research and Test Reactors Licensing Branch
Division of Policy and Rulemaking
Office of Nuclear Reactor Regulation

Docket No. 50-288
License No. R-112

Enclosure:
As stated

cc: See next page

Reed College

Docket No. 50-288

cc:

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REED COLLEGE

2015 FINANCIAL ASSURANCE (SELF-GUARANTEE) REVIEW

DOCKET NO. 50-288

1.0 INTRODUCTION

Pursuant to Title 10 of the *Code of Federal Regulations* (10 CFR), 50.75(e)(1)(iii)(C), "Reporting and Recordkeeping For Decommissioning Planning," and Appendix E to 10 CFR Part 30, "Criteria Relating to Use of Financial Tests and Self-Guarantee for Providing Reasonable Assurance of Funds for Decommissioning by Nonprofit Colleges, Universities, and Hospitals," Reed College submitted a self-guarantee letter to the U.S. Nuclear Regulatory Commission (NRC) demonstrating financial assurance for decommissioning on October 16, 2015 (Agencywide Documents Access and Management System (ADAMS) Accession No. ML15300A261).

2.0 REGULATORY EVALUATION

The requirements of 10 CFR 50.75(e)(1)(iii)(C), states, in part, that "...a guarantee of funds by the applicant or licensee may be used if the guarantee and test are as contained in Appendix E to 10 CFR Part 30." Appendix E to 10 CFR Part 30 establishes criteria for passing the financial test for the self-guarantee and establishes its terms. Regulatory guidance contained in NUREG-1757, Volume 3, Revision 1, "Consolidated Decommissioning Guidance: Financial Assurance, Recordkeeping, and Timeliness," states, in part, that a submittal used to satisfy the requirements of Appendix E to 10 CFR Part 30 can be verified through the use of the Chief Financial Officer's (CFO) Certification, the Independent Auditor's Report, and Financial Statements.

The staff reviewed Reed College's submittal pursuant to the elements specified in Appendix E to 10 CFR Part 30, including, the Financial Test, Additional Requirements, and Self-Guarantee requirements contained in Sections II(A)(1), II(C), and III, respectively, and the guidance contained in NUREG-1757. In part, the licensee provided: a letter from Reed College's CFO containing the self-guarantee financial test; an independent auditor's report confirming the CFO letter and reconciling amounts with the licensee's financial statements; and the licensee's audited financial statements for the most recent fiscal year. The staff notes that the self-guarantee agreement (originally signed duplicate) was not submitted with the application as required by the guidance, however, staff confirmed that this agreement is in the NRC's possession and remains unchanged (ADAMS Accession No. ML092200010).

The staff also notes that Section II(C)(1) of Appendix E to 10 CFR Part 30, requires the licensee's independent certified public accountant to evaluate the licensee's off-balance sheet transactions and render an opinion on whether those transactions could adversely affect the licensee's ability to pay for decommissioning costs. The guidelines established by the American Institute of Certified Public Accountants prohibit an accountant from rendering such an opinion. However, the Auditor's Report did state that the 2014 and 2015 financial statements were presented fairly in all material respects.

Enclosure

Additionally, 10 CFR 50.75(e)(1)(iii)(C) includes a provision, which states, in part, that a guarantee by the licensee may not be used in any situation in which the licensee has a parent company holding majority control of voting stock of the company. Reed College does not have a parent company holding majority control of its voting stock. The staff's review confirmed that Moody's Investor Service (Moody's) issued Reed College a current rating for its most recent unsecured, uncollateralized, and unencumbered bond of "Aa2/VMIGI." The staff notes that when an obligor is rated "Aa2/VMIGI," this means it has a strong capacity to meet its financial commitments. "Aa2/VMIGI" is the third highest issuer credit rating assigned by Moody's. Reed College also passed the financial test presented in Appendix E to Part 30. Finally, as indicated in Reed College's license renewal application, dated August 29, 2007, the original estimated cost of decommissioning in 1992 was \$500,000 to decommission (ADAMS Accession No. ML092200010). The 1992 estimate has been updated as required by 10 CFR 50.75(g)(3) using data and methodology supplied by NUREG-1307, Revision 15, "Report on Waste Burial Charges: Changes in Decommissioning Waste Disposal Costs at Low-Level Waste Burial Facilities." Reed College's method for updating the cost estimate appears reasonable and provides a 2016 estimate of \$2,263,750 to decommission.

3.0 CONCLUSION

Based on its review, the staff finds that the licensee provided complete documentation, including a letter from Reed College's CFO containing the self-guarantee financial test; an independent auditor's report confirming the CFO letter and reconciling amounts with the licensee's financial statements; and the licensee's audited financial statements for the most recent fiscal year. In addition, the staff finds that the licensee does not have a parent company holding majority control of its voting stock and that the amount of the self-guarantee exceeds the required coverage level. In consideration of the exceptions noted above, the staff finds that the self-guarantee agreement meets the financial test criteria for a non-profit university that issues bonds, is sufficient for providing financial assurance, conforms to the guidance in NUREG-1757, and meets the requirements of 10 CFR 50.75 and Appendix E of 10 CFR Part 30.