

# **SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION**

## **ANNUAL FINANCIAL TEST FOR A PARENT COMPANY GUARANTEE**

### **GENERAL ELECTRIC COMPANY**

#### **1.0 INTRODUCTION**

By letter dated March 18, 2016 (Agencywide Documents Access and Management System [ADAMS] Accession No. ML16102A361), General Electric Company (GE) provided to the U.S. Nuclear Regulatory Commission (NRC) for review, the required documentation in support of its Parent Company Guarantee (PCG), in accordance with NUREG-1757, Volume 3, "Financial Assurance, Recordkeeping, and Timeliness" and Title 10 of the *Code of Federal Regulations* (10 CFR) Part 30, Appendix A, "Criteria Relating to Use of Financial Tests and Parent Company Guarantees for Providing Reasonable Assurance of Funds for Decommissioning." This financial test provides assurance that GE can continue maintaining \$429,500,000 in PCG coverage for decommissioning funding assurance for Wilmington Fuel Manufacturing Facility, GE Reuter Stokes Facility, the Vallecitos Nuclear Center, including the Vallecitos Boiling Water Reactor, Nuclear Test Reactor (NTR), General Electric Test Reactor, and the ESADA Vallecitos Experimental Superheat Reactor, and Morris Operation (facilities).

#### **2.0 ANALYSIS**

In its March 18, 2016, submittal, GE provided the supporting documentation consistent with the guidance in NUREG-1757, Volume 3, "Financial Assurance, Recordkeeping, and Timeliness," and required by 10 CFR Part 30, Appendix A, to perform the financial test for a PCG related to the subject facilities. This information included:

- The PCG agreement;
- A letter from the chief executive officer of licensee;
- A letter from the chief financial officer (CFO) of the parent company, including PCG financial test;
- The auditor's special report confirming the CFO letter and reconciling amounts in the CFO letter with the parent company's financial statements;
- The parent company's audited financial statements for the most recent fiscal year, including the auditor's opinion on the financial statements; and
- The standby trust agreement with supporting documentation.

Pursuant to the guidance in NUREG-1757, Volume 3, the staff reviewed the submittal and found that the PCG submission met the following additional acceptance criteria:

- Supporting documentation as described above;
- The parent company guarantor has majority control of the licensee's voting stock (greater than 50 percent);
- The parent company guarantor meets the applicable financial test specified in 10 CFR Part 30, Appendix A;

Enclosure

- The parent company guarantor's annual financial statements have received a "clean" opinion from an independent certified public accountant;
- The PCG is not being used in combination with any other financial assurance methods (except for an external sinking fund, as applicable);
- The standby trust fund submitted with the PCG meets all applicable NRC requirements;
- The PCG is in an amount that is at least as great as the amount of decommissioning funds being assured by a PCG for the total of all nuclear facilities or parts thereof;
- No credit was taken for earnings on any financial assurance mechanisms that does not set aside funds as prepayment for site control and maintenance activities.

Fundamental to the financial test for a PCG, as discussed above, is the determination of whether GE's tangible net worth is at least six times the provision for PCG obligations, which in this case totals approximately \$2.6 billion (\$430 million x 6). In its submittal, GE identified a tangible net worth of approximately \$16 billion. However, staff noted a statement by Klynveld Peat Marwick Goerdeler, the independent auditor retained by GE to review the financial test values prior to submittal to NRC, which identified "Maximum Potential Future Payments" in the amount of approximately \$1.4 billion (rounded) related to off-balance sheet transactions. These transactions included contractual obligations to fund investment or guarantees, revolving lines of credit, credit support, indemnification agreements and other indemnification commitments as disclosed in Note 21 and Note 22 of GE's 2015 Annual Report on Form 10-K. Staff considered the "Maximum Potential Future Payments" when conducting the financial test for the PCG. Therefore, with a tangible net worth, less "Maximum Potential Future Payments", in the amount of \$14.7 billion and a PCG in the amount of approximately \$430 million, NRC staff concluded that GE meets the tangible net worth test as described in NUREG-1757 and Appendix A to 10 CFR Part 30.

### **3.0 CONCLUSION**

The NRC staff has reviewed the financial assurance mechanism for the subject GE facilities according to NUREG-1757, Volume 3. Based on this review, NRC staff has determined that the financial assurance mechanism and supporting documentation submitted by the licensee conform to NRC guidance. In addition, the amount of financial assurance provided by GE covers the \$429.5 million required for decommissioning the facilities. Therefore, the staff concludes that GE meets the requirements in Appendix A to 10 CFR Part 30 for a PCG.

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