

SAFETY EVALUATION REPORT, R-37

DOCKET: 50-0020

LICENSE: R-37

LICENSEE: MASSACHUSETTS INSTITUTE OF TECHNOLOGY

SUBJECT: 2018-2019 MASSACHUSETTS INSTITUTE OF TECHNOLOGY SELF-GUARANTEE ANNUAL CERTIFICATION

BACKGROUND

Pursuant to Title 10 of the *Code of Federal Regulations* (10 CFR) Section 50.75, "Reporting and Recordkeeping for Decommissioning Planning," Subsection (e)(1)(iii)(C), 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," Massachusetts Institute of Technology (MIT) provided a self-guarantee package to the U.S. Nuclear Regulatory Commission (NRC) to demonstrate financial assurance for decommissioning on September 27, 2018 (Agencywide Documents Access and Management System [ADAMS] Accession Number ML18284A321). This review pertains to financial assurance for the research reactor, R-37.

DISCUSSION

Regulatory Requirements

The requirements of 10 CFR Paragraph 50.75(e)(1)(iii)(C), state, 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's) Certification, the Independent Auditor's Report, and Financial Statements.

Staff Review

The staff reviewed MIT'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 MIT's Executive Vice President and Treasurer 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 MIT's self-guarantee agreement (originally signed duplicate) is in the NRC's possession and remains unchanged (ADAMS ML100070108, ML101930104, and ML101340587, respectively).

The NRC staff also notes that Subsection 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 financial statements were presented fairly in all

Enclosure 2

material respects.

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. The MIT does not have a parent company holding majority control of its voting stock. The NRC staff's review confirmed that Standard & Poor's (Standard & Poor's) Financial Services LLC issued MIT a current rating for its most recent uninsured, uncollateralized, and unencumbered bond issuance of "AAA." The staff notes that when an obligor is rated "AAA," this means it has an extremely strong capacity to meet its financial commitments. "AAA" is the highest issuer credit rating assigned by Standard & Poor's. MIT also passed the financial test presented in Appendix E to Part 30. Finally, MIT's decommissioning cost estimate was provided by Duke Engineering. This included an initial decommissioning cost estimate of \$23 Million in 2005 to decommission. The MIT's method for updating the cost estimate appears reasonable, and provides a 2018 estimate of \$38.4 Million. As of the fiscal year ending on June 30, 2018, MIT possesses a positive tangible net worth in the amount of \$21.5 billion (2018 dollars) to decommission the reactor.

CONCLUSION

Based on its review, the staff finds that the licensee provided complete documentation, including: a letter from MIT'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 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.

Principal Contributor
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