



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D.C. 20555-0001

June 13, 2019

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

SUBJECT: U.S. NUCLEAR REGULATORY COMMISSION STAFF REVIEW RE: REED  
COLLEGE 2018 FINANCIAL ASSURANCE (SELF-GUARANTEE)  
(EPID NO. L-2018-LLL-0028)

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) to demonstrate financial assurance for decommissioning dated October 10, 2018 (Agencywide Documents Access and Management System Accession No. ML18288A141).

The NRC staff has completed its review and finds that the Reed College self-guarantee agreement meets the financial test criteria for a non-profit college 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 and 10 CFR 50.75. Enclosed is a summary of the NRC 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](mailto:Geoffrey.Wertz@nrc.gov).

Sincerely,

**/RA Greg Casto for/**

Geoffrey Wertz, Project Manager  
Research and Test Reactors Licensing Branch  
Division of Licensing Projects  
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:

Mayor of the City of Portland  
1220 Southwest 5th Avenue  
Portland, OR 97204

Dr. Nigel Nicholson, Dean of Faculty  
Reed College  
3203 SE Woodstock Boulevard  
Portland, OR 97202-8199

Hugh Porter, Acting President  
Reed College  
3203 SE Woodstock Boulevard  
Portland, OR 97202-8199

Ken Niles, Assistant Director for Nuclear Safety  
Oregon Department of Energy  
550 Capitol Street N.E., 1st Floor  
Salem, OR 97301

Program Director  
Radiation Protection Services  
Public Health Division  
Oregon Health Authority  
800 NE Oregon Street, Suite 640  
Portland, OR 97232-2162

Test, Research and Training  
Reactor Newsletter  
Attention: Amber Johnson  
Dept of Materials Science and Engineering  
University of Maryland  
4418 Stadium Drive  
College Park, MD 20742-2115

SUBJECT: U.S. NUCLEAR REGULATORY COMMISSION STAFF REVIEW RE: REED COLLEGE 2018 FINANCIAL ASSURANCE (SELF-GUARANTEE) (EPID NO. L-2018-LLL-0028) DATE: JUNE 13, 2019

**DISTRIBUTION** :

PUBLIC	AAdams, NRR	RidsNrrDlpProb Resource
GWertz, NRR	FMiller, NRR	NParker, NRR
RidsNrrDlpPrib Resource	NNewton, NRR	PRLB r/f

**ADAMS Accession No.: ML19155A175**

**\*concurred via e-mail**

**NRR-106**

OFFICE	NRR/DLP/PRLB/PM*	NRR/DLP/PRLB/LA*	NRR/DLP/PRLB/BC	NRR/DPR/PRLB/PM
<b>NAME</b>	GWertz	NParker	GCasto	GWertz (GCasto for)
<b>DATE</b>	6/ /2019	6/5/2019	6/7/2019	6/13/2019

**OFFICIAL RECORD COPY**

## REED COLLEGE

### 2018 FINANCIAL ASSURANCE (SELF-GUARANTEE) REVIEW

#### DOCKET NO. 50-288

#### 1.0 INTRODUCTION

By letter dated October 10, 2018 (Agencywide Documents Access and Management System (ADAMS) Accession No. ML18288A141), Reed College provided documentation in support of its self-guarantee for demonstrating decommissioning funding assurance to the U.S. Nuclear Regulatory Commission (NRC) staff for review. The Reed College submittal included accompanying financial statements, the Reed College Self-Guarantee Agreement, including recitals (ADAMS Accession No. ML18288A142), and a (February 2018) decommissioning cost estimate (ADAMS Accession No. ML18074A347) for the Reed College Research Reactor. Reed College indicated, with the information provided in these documents, that it, "meets or exceeds" the financial test intended to provide assurance that Reed College can continue to maintain \$3,025,125 (2017 dollars) in coverage for decommissioning funding assurance of the research reactor and related facilities located at Reed College in Portland, Oregon.

The NRC staff performed its review using the guidance provided in NUREG-1757, Volume 3, Revision 1, "Consolidated Decommissioning Guidance; Financial Assurance, Recordkeeping, and Timeliness," and the requirements in Title 10 of the *Code of Federal Regulations* (10 CFR) 50.75, "Reporting and recordkeeping for decommissioning planning," and 10 CFR Part 30, Appendix E, "Criteria Relating to Use of Financial Tests and Self-Guarantee for Providing Reasonable Assurance of Funds for Decommissioning by Nonprofit Colleges, Universities, and Hospitals."

#### 2.0 ANALYSIS

The requirements of 10 CFR 50.75(e)(1)(iii)(C), state, in part, that "[f]or non-profit entities, such as colleges...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." As a non-profit college, Reed College qualifies to use the self-guarantee as reflected in Appendix E to 10 CFR Part 30. The NRC staff evaluated Reed College's submittal to determine whether its proposed guarantee and test criteria meet those as contained in Appendix E to 10 CFR Part 30. The NRC staff reviewed Reed College's submittal pursuant to the elements specified in Appendix E, including the financial test requirements, self-guarantee requirements, and additional requirements, as contained in Section II, "Financial Test," Section III, "Self-guarantee," of Appendix E to 10 CFR Part 30, and the guidance contained in NUREG-1757.

Regarding the adequacy of Reed College's submittal and its proposed use of a self-guarantee, regulatory guidance contained in NUREG-1757, Section 4.3.2.6, "SELF-GUARANTEES," states, in part, that a submittal used to satisfy the requirements of Appendix E to 10 CFR Part 30 will be acceptable if such submittal includes the self-guarantee agreement, the Chief Financial Officer's (CFO) Certification, the Independent Auditor's Report, and Financial Statements. In its submittal, the licensee provided: a letter from Reed College's (Office of the Treasurer) Vice President/Treasurer containing the self-guarantee financial test; an independent auditor's report confirming the Reed College Office of the Treasurer letter and reconciling amounts with the licensee's financial statements; and the licensee's audited financial

statements for the most recent fiscal year. The NRC staff notes that the self-guarantee agreement (originally signed duplicate) was not submitted with the application as recommended in NUREG-1757 guidance; however, the NRC staff confirmed that this agreement is in the NRC's possession and remains unchanged (ADAMS Accession No. ML092200010). 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. In this regard, Klynveld Peat Marwick Goerdeler [KMPG LLP], the independent auditor retained by Reed College, stated, "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Reed Institute [Reed College]." The NRC staff concluded that Reed College's submittal, and the information provided in that submittal, is acceptable in support of the licensee's use of a self-guarantee for decommissioning funding.

Regarding financial test requirements, Appendix E to 10 CFR Part 30 requires a bond issuing licensee to have a, "current [credit] rating for its most recent uninsured, uncollateralized, and unencumbered bond issuance of...Aaa, Aa, or A (including adjustments of 1, 2, or 3) as issued by Moody's." As stated in the Reed College Self-Guarantee Agreement provided with its October 10, 2018, submittal, the Moody's bond rating for Reed College's most recent uninsured, uncollateralized, and unencumbered bond was rated, "Aa2/VMIG 1." The Moody's bond rating of Aa2/VMIG 1, meets the test criteria of "Aaa, Aa, or A," as provided in Appendix E to 10 CFR Part 30.

The NRC staff notes that the NRC is currently addressing, through rulemaking, changes to its surety requirements used by licensees. These changes are responsive to the 2010, "Dodd-Frank Wall Street Reform and Consumer Protection Act," legislation (Dodd-Frank), which, among other things, seeks that agencies remove reference to or requirements for reliance on credit ratings, and impacts NRC's financial tests for colleges, universities and hospitals who use self-guarantees for providing reasonable assurance of funds for decommissioning. As a result, the NRC staff would disallow reliance on use of credit ratings as a financial test for providing reasonable assurance of funds for decommissioning. In the case of a university or college currently relying on bond ratings to qualify for use of a self-guarantee, such as Reed College, licensees would instead rely on the financial test in Appendix E to 10 CFR Part 30, Section II, "Financial Test," item A. (2). This financial test requires that the applicant meet unrestricted endowment criteria consisting of assets located in the United States of at least \$50 million, or at least 30 times the total current decommissioning cost estimate, whichever is greater.

As provided in the Reed College Self-Guarantee Agreement submittal, the licensee's financial statements reflect total unrestricted endowment funds of \$293,367,495 (June 30, 2018), and a cost to decommission the reactor of \$3,025,125 (2018 dollars). Accordingly, the licensee's unrestricted endowment is greater than 30 times the total current decommissioning cost estimate and therefore meets the endowment criteria in Appendix E to 10 CFR Part 30, Section II, item A. (2).

Based on NRC staff's analyses, the licensee meets the financial test for use of a self-guarantee using either credit ratings or unrestricted endowment criteria. In consideration of the above, the NRC staff finds that Reed College has fulfilled the requirements for a university seeking to provide decommissioning funding assurance using a self-guarantee.

### 3.0 CONCLUSION

The NRC staff has reviewed the decommissioning financial assurance mechanism for the research reactor at Reed College. Based on its review, the NRC staff finds that the licensee provided complete documentation, including a letter from Reed College's Vice President/Treasurer containing the self-guarantee financial test; an independent auditor's report confirming the Vice President/Treasurer 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 NRC staff finds that the self-guarantee agreement meets the financial test criteria for a non-profit college that issues bonds, is sufficient for providing financial assurance (\$3,025,125 in 2018 dollars) for decommissioning of the Reed College research reactor and related facilities and conforms to NRC guidance. Therefore, the NRC staff concludes that Reed College meets the requirements of 10 CFR Part 30, Appendix E and 10 CFR 50.75.