

2.0 FINANCIAL QUALIFICATIONS

2.1 PURPOSE OF REVIEW

The purpose of this review is to determine that the applicant appears to be financially qualified to engage in the proposed activities in accordance with the proposed 10 CFR Part 70. The scope of this review does not include the applicant's financial qualifications for decommissioning if responsibility for eventual decommissioning will reside with the Department of Energy.

2.2 RESPONSIBILITY FOR REVIEW

Primary: Financial Specialist

Secondary: Project Manager

Supporting: None

2.3 AREAS OF REVIEW

The financial qualifications should be submitted with the application for construction approval and updated in the license application. The areas of review for financial qualifications should include:

A. Project Costs

- i. The engineering, design, and construction costs for the full planned capacity of the facility.
- ii. If construction will be staged, incremental estimates for each stage of facility construction.
- iii. The total project cost, including interest, escalation, and financing in addition to the engineering, design, and construction costs.

B. Sources of Funds

- i. Estimates of the total and incremental debt, equity, and revenues (if any) for each phase of the project, e.g., construction and operation.
- ii. Funding plans for the proposed action, including, but not limited to, the debt equity and revenues.
- iii. The source(s) and planned or existing funding commitments or contracts upon which the applicant relies, including government contracts.

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C. Contingency Funds

The contingencies for cost overruns and revenue shortfalls during construction and operation.

D. Financial Qualifications

- i. The financial description of the applicant, of any partnership established to finance the proposed action, and of any parent or other affiliated companies upon whom the applicant is relying for sources of construction or operating funds.
- ii. The applicant should provide the NRC with a copy of the most recent financial report and U.S. Securities and Exchange Commission Report 10-K, for itself, any planned or existing partners, and any parent or other affiliated companies upon whom the applicant is relying for the sources of construction funds. In the event that an annual financial report and U.S. Securities and Exchange Commission Report 10-K is not available for the applicant, a partner, or other affiliated company, the applicant should provide audited financial statements that include:
 - a. Statements of earning to include revenues, costs and expenses, earning before and after taxes, net earnings, and per-share earnings and dividends;
 - b. Consolidated statements of changes in share owners' equity;
 - c. Statements of financial position to include assets, liabilities, and equity;
 - d. Statements of cash flows to include cash flows from operating, investing, and financing activities;
 - e. Management's discussion of financial operations, resources, liquidity, and significant selected financial data;
 - f. Any notes applicable to the financial statements needed to clarify or explain significant items, assumptions, potential risks and liabilities, or limitations; and
 - g. An independent auditor's report describing the accounting principles used and any opinions or qualifications applicable to the financial statements.

E. Liability Insurance

The applicant should provide a description, the amounts, and issuers of the on-site and off-site liability insurance to be provided for the proposed activities.

2.4 ACCEPTANCE CRITERIA

2.4.1 Regulatory Requirements

The regulatory requirements for financial qualifications are found in 10 CFR 70.23(a)(5) and the note in 10 CFR 70.22(a), which reads, "NOTE: Where the nature of the proposed activities is such as to require consideration of the applicant's financial qualifications to engage in the proposed activities in accordance with the regulations in this chapter, the Commission may request the applicant to submit information with respect to his financial qualifications."

2.4.2 Regulatory Guidance

There are no regulatory guides that apply to the review of the financial qualifications for a MOX fuel fabrication facility under the proposed 10 CFR Part 70.

2.4.3 Regulatory Acceptance Criteria

The reviewer should find the applicant's financial qualifications acceptable if the following acceptance criteria are met:

A. Project Costs

The applicant's engineering, design, and construction costs, staged project costs, and total project costs are appropriate for the size and scope of the proposed actions.

B. Sources of Funds

The applicant's sources of funds (including the applicant's funding plan(s) and debt, equity and revenue levels (if any) for each stage of the project) and planned or existing source(s) of funding commitments are consistent with the estimated construction costs of the proposed action.

C. Contingency Funds

The applicant's contingency funds are appropriate for unforeseen construction and operating contingencies. The applicant indicates its plans for the case where cost overruns are much higher than anticipated, e.g., in excess by 30%.

D. Financial Qualifications

The financial data for the applicant, planned or existing partners, or other affiliated companies support the financial commitments of each; are consistent with generally accepted accounting practices; and represent a reasonable financial basis for constructing and operating the facility.

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The applicant commits to providing its annual report to the NRC. If the applicant does not issue an annual report, the applicant commits to annually provide the NRC with the information described in Section 2.3(D)(ii)(a)-(g).

E. Liability Insurance

On-site liability insurance is sufficient to cover reasonable expected onsite accidents and obligations. The applicant commits to maintaining off-site nuclear liability insurance in the maximum commercially available amount, unless the applicant shows that such liability will be borne by the Department of Energy.

2.5 REVIEW PROCEDURES

2.5.1 Acceptance Review

The primary reviewer should perform an acceptance review to determine if the application for construction approval adequately addresses the specific items in Section 2.3, "Areas of Review." If the primary reviewer verifies that financial qualifications are adequately addressed, the primary reviewer should accept the application for the safety evaluation in Section 2.5.2. If the primary reviewer identifies significant deficiencies in the material provided, the primary reviewer should request that the applicant submit additional information prior to the start of the safety evaluation.

2.5.2 Safety Evaluation

After determining that the application is acceptable for review in accordance with Section 2.5.1, the primary reviewer should perform a safety evaluation for the application for construction approval against the acceptance criteria described in Section 2.4. On the basis of its review, the staff may request that the applicant provide additional information or modify the application to meet the acceptance criteria in Section 2.4. The primary reviewer should coordinate with the secondary reviewer to ensure consistency between this chapter and the applicant's material supporting Section 1.2, "Institutional Information."

The primary reviewer should verify that the applicant's updated financial qualifications, when submitted with the license application, remain consistent with the material submitted with the application for construction approval and continue to meet the acceptance criteria in Section 2.4.

2.6 EVALUATION FINDINGS

The primary reviewer should document the safety evaluation by preparing material suitable for inclusion in the Safety Evaluation Report (SER). The primary reviewer should describe the review, explain the basis for the findings, and state the conclusions.

The staff could document the safety evaluation for the application for construction approval as follows:

The staff reviewed the financial qualifications for construction approval for [insert name of facility] according to Chapter 2.0 of NUREG-1718. The staff evaluated [insert a summary of the material reviewed] and found that [state the findings].

The staff concluded that the applicant appears financially qualified to engage in the proposed activities in accordance with 10 CFR Part 70. As a result, the staff finds that the applicant's financial qualifications support the staff's approval of construction.

The staff could document the safety evaluation for the license application as follows:

The staff reviewed the financial qualifications for [insert name of facility] according to Chapter 2.0 of NUREG-1718. The staff evaluated [insert a summary of the material reviewed] and focused on new or updated material when compared to the safety evaluation for construction approval. The staff found that [state the findings].

The staff concluded that the applicant appears financially qualified to engage in the proposed activities in accordance with 10 CFR Part 70. As a result, the staff finds that the applicant's financial qualifications meet the regulatory requirements for issuing a license to possess and use SNM.

2.7 REFERENCES

- A. Code of Federal Regulations, Title 10, Part 70, Domestic Licensing of Special Nuclear Material, U.S. Government Printing Office, Washington, D.C.
- B. Proposed 10 CFR Part 70, "Domestic Licensing of Special Nuclear Material; Possession of a Critical Mass of Special Nuclear Material." 64 FRN 41338, July 30, 1999.