



UNITED STATES  
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

February 10, 1997

70-1201

MEMORANDUM TO: John W. Hickey, Chief  
Low-Level Waste and Decommissioning  
Projects Branch  
Division of Waste Management, NMSS

FROM: Michael F. Weber, Chief  
Licensing Branch  
Division of Fuel cycle Safety  
and Safeguards, NMSS *[Signature]*

SUBJECT: TECHNICAL ASSISTANCE REQUEST - 2ND ROUND REVIEW OF SIEMENS  
FINANCIAL ASSURANCE DOCUMENTS (TAC NO. L30884)

The FCSS Licensing Branch requests technical assistance in reviewing the following project:

Project: Siemens Power Corporation (SPC) Parent Company Guarantee for Financial Assurance for decommissioning dated June 14, 1996.

Casework/RITS/TAC No: 70-1257/211AA/L30884

Background: On June 13, 1996, SPC submitted a Parent Company Guarantee for financial assurance for decommissioning. A technical assistance request was submitted to the LLDP Branch on July 2, 1996, for review of this instrument. A request for additional information was subsequently transmitted to SPC specifying a number of deficiencies identified by ICF and LLDP. Three teleconferences were then held between SPC and NRC staff. The main issue concerned the use of German accounting procedures as opposed to U.S. Generally Accepted Accounting Procedures in determination of SPC's total assets within the U.S. SPC responded to the NRC's concerns in a letter dated January 14, 1997.

Requested Action: Review the licensee's response of January 14, 1997, to determine if it adequately resolves the deficiencies previously identified by LLDP concerning SPC's Parent Company Guarantee.

Please provide the information requested below and return a completed copy to the Licensing Assistant (LA) or PM.

Name of Reviewer: \_\_\_\_\_

DWM Projected Completion Date: \_\_\_\_\_

DWM Branch Chief Signature: \_\_\_\_\_

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PDR ADOCK 07001201  
C PDR

John W. Hickey

2

Contacts: Project Manager (PM) - Susan Chotoo, Telephone: 415-8102  
Licensing Assistant (LA) - Pam Shea, Telephone: 415-8029

The above TAC No. should be referenced in future correspondence related to this request and on the RITS Report for recording staff time expended on this effort.

Docket 70-1201  
License SNM-1168

Attachments: 1. Ltr dtd 1/14/97\*  
2. Ltr dtd 10/11/96

\* Originals sent to DWM for safe keeping.

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Docket 70-1201 PUBLIC NRC File Center

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OFC	FCLB	E	FCLB	E	FCLB		FCLB
NAME	SChotoo SDC		PShea PWS		GPangburn		MWebster for NW
DATE	2/6/97		2/5/97		2/10/97		2/10/97

C = COVER

E = COVER & ENCLOSURE

N = NO COPY

OFFICIAL RECORD COPY

John W. Hickey

2

Contacts: Project Manager (PM) - Susan Chotoo, Telephone: 415-8102  
Licensing Assistant (LA) - Pam Shea, Telephone: 415-8029

The above TAC No. should be referenced in future correspondence related to this request and on the RITS Report for recording staff time expended on this effort.

Docket 70-1201  
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Attachments: 1. Ltr dtd 1/14/97\*  
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# SIEMENS

January 14, 1997

LJM:97:001

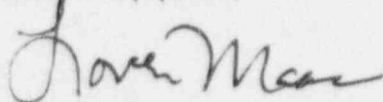
U.S. Nuclear Regulatory Commission  
Attn: Michael F. Weber, Chief  
Licensing Branch  
Division of Fuel Cycle Safety and Safeguards, NMSS  
Washington, DC 20555

Dear Mr. Weber:

Re: **Docket No. 70-1257**  
**License No. SNM-1227**  
**Decommissioning Funding Plan**

In accordance with our letter to you dated June 14, 1996 and in compliance with applicable regulations, Siemens Power Corporation herewith submits an annual update to the Financial Assurance Instruments of its Decommissioning Funding Plan.

Very truly yours,



L. J. Maas, Manager  
Regulatory Compliance

LJM:pg

## Siemens Power Corporation

Nuclear Division  
Engineering & Manufacturing

2101 Horn Rapids Road  
P.O. Box 130  
Richland, WA 99352-0130

Tel: (509) 375-8100  
Fax: (509) 375-8402

9701270232

# SIEMENS

U.S. Nuclear Regulatory Commission  
Division of Fuel Cycle Safety Branch and  
Safeguards, NMSS  
Washington, D.C. 20555-0001

Name Wedekind  
Department ZFB 11  
Telephone (089) 234-3186  
Telefax (089) 234-4779

Attn.: Robert C. Pierson, Chief

Date 20.12.96

Re: Decommissioning Financial Responsibility  
License No. SNM-1227

Dear Mr. Pierson,

I am the Chief Financial Officer of Siemens Aktiengesellschaft, a corporation of the Federal Republic of Germany. This letter is in support of Siemens Aktiengesellschaft's use of the financial test to demonstrate financial assurance, as specified in 10 CFR Part 70.

Siemens Aktiengesellschaft guarantees, through the parent company guarantee submitted to demonstrate compliance under 10 CFR Part 70, the decommissioning of the following facility owned and operated by Siemens Power Corporation, a subsidiary of Siemens Aktiengesellschaft. The current cost estimate so guaranteed, is shown for the facility:

<u>Name of Facility</u>	<u>Location of Facility</u>	<u>Current Cost Estimate</u>
Siemens Power Corporation License No. SNM-1227	2101 Horn Rapids Road Richland, WA 99352	\$27,000,000

Siemens Aktiengesellschaft is not required to file a Form 10K with the U.S. Securities and Exchange Commission.

The fiscal year of Siemens Aktiengesellschaft ends on September 30. The figures for the following items marked with a double asterisk are derived from Siemens Aktiengesellschaft's independently audited, consolidated financial statements for the year ended September 30, 1996.

## Zentralabteilung Finanzen

Leitung  
Dr. Karl-Hermann Baumann

Briefadresse  
Siemens AG  
ZFB 11  
80312 München

Hausadresse  
Wittelsbacherplatz 2  
80333 München  
Telefon (0 89) 2 34-0  
Telefax 82 100 sie p

9701270244

## Financial Test: Alternative II

- |      |   |                                |                   |
|------|---|--------------------------------|-------------------|
| 1.   | Decommissioning cost estimate for facility,<br>License No. SNM-1227.  |                                | \$27,000,000      |
| 2.*  | Current bond rating of most recent issuance of this<br>firm and name of rating service.                                     | Standard & Poor's:<br>Moody's: | AAA<br>Aaa        |
| 3.*  | Date of issuance of bond  |                                | 06/24/1992        |
| 4.*  | Date of maturity of bond  |                                | 06/24/2002        |
| 5.** | Tangible net worth plus accrued decommissioning costs   |                                | \$ 15,617,000,000 |
| 6.** | Total assets in United States (required only if less than<br>90 percent of firm's assets are located in the United States.) |                                | \$ 7,672,935,000  |
|      |   | <u>Yes</u>                     | <u>No</u>         |
| 7.   | Is line 5 at least \$10 million?  | <u>X</u>                       | —                 |
| 8.   | Is line 5 at least 6 times line 1?  | <u>X</u>                       | —                 |
| 9.** | Are at least 90 percent of firm's assets located<br>in the United States? If not, complete line 10.                         | —                              | <u>X</u>          |
| 10.  | Is line 6 at least 6 times line 1?  | <u>X</u>                       | —                 |

I hereby certify that the content of this letter is true and correct to the best of my knowledge.

By Dr. K.-H. Baumann  
(Signature)

Dr. K.-H. Baumann  
Chief Financial Officer

## **Zentralabteilung Finanzen**

Leitung  
Dr. Karl-Hermann Baumann

Briefadresse  
Siemens AG

80312 München

Hausadresse  
Wittelsbacherplatz 2  
80333 München

Telefon 0 89 2 34 - 0  
Telex 52 100 sde d

\* The Standard & Poor's AAA rating was obtained by Siemens Aktiengesellschaft and is not assigned to a specific debt issue. The Moody's Aaa rating was obtained for the guaranteed debt of a wholly-owned subsidiary of Siemens Aktiengesellschaft, Siemens Capital Corporation.

\*\*Denotes figure derived from the Siemens Aktiengesellschaft consolidated financial statements for the year ended September 30, 1996.

## Zentralabteilung Finanzen

Leitung:  
Dr. Karl-Hermann Baumann

Briefadresse  
Siemens AG

80312 München

Hausadresse  
Wittelsbacherplatz 2  
80333 München

Telefon: (0 89) 2 34 - 0  
Telex: 52 100 sie d

# KPMG Deutsche Treuhand-Gesellschaft

Aktiengesellschaft Wirtschaftsprüfungsgesellschaft  
Zweigniederlassung München

Elektrastraße 6  
D-81925 München

Postfach 81 05 29  
D-81905 München

Telefon (0 89) 92 82 00  
Teletax (0 89) 92 82 20 00

Siemens Aktiengesellschaft  
Zentralabteilung Finanzen  
Attn.: Dr. Seeberg  
Wittelsbacherplatz 2

80333 München

20 December 1996 - ms/ds

Dear Dr. Seeberg,

At your request, we have performed the procedures enumerated below with respect to the Siemens Aktiengesellschaft "Schedule Reconciling Amounts Contained in Chief Financial Officer's Letter With Amounts Included in the Consolidated Financial Statements for the Year Ended September 30, 1996" set forth in the accompanying Exhibit I.

Siemens Aktiengesellschaft prepared the information contained in Exhibit I to demonstrate its financial responsibility under the U.S. Nuclear Regulatory Commission's financial assurance regulations 10 CFR Part 70, and to assist its wholly-owned subsidiary and licensee Siemens Power Corporation (License No. SNM-1227) in complying with such regulations.

Our procedures, with respect to the information contained in Exhibit I, were as follows:

1. We agreed the amounts entitled "Stockholder's equity" and "Intangible assets, net" to amounts reported on the Siemens Aktiengesellschaft consolidated balance sheet as of September 30, 1996 which is included in the Siemens Aktiengesellschaft consolidated financial statements for the year ended September 30, 1996. We have previously examined the Siemens Aktiengesellschaft consolidated financial statements for the year ended September 30, 1996 in accordance with German generally accepted auditing standards and have issued our report thereon dated December 4, 1996.

Aufsichtsratsvorsitzender  
VP Dr. -Ing.  
Thomas Schmalz

Vorsitzend  
VP Prof. Dr. Dr. h. c.  
Hans-Joachim  
Königsmann  
Vorsitzend  
VP Dr. Dr. h. c.  
Karl-Heinz  
Königsmann  
Vorsitzend  
VP Dr. Dr. h. c.  
Karl-Heinz  
Königsmann

VP Dr. Dr. h. c.  
Karl-Heinz  
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VP Dr. Dr. h. c.  
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VP Dr. Dr. h. c.  
Karl-Heinz  
Königsmann

VP Dr. Dr. h. c.  
Karl-Heinz  
Königsmann  
VP Dr. Dr. h. c.  
Karl-Heinz  
Königsmann  
VP Dr. Dr. h. c.  
Karl-Heinz  
Königsmann  
VP Dr. Dr. h. c.  
Karl-Heinz  
Königsmann



2. We agreed the amount entitled "Accrued decommissioning costs" to an amount included in a Siemens Aktiengesellschaft prepared schedule. This schedule analyses the components of the amount reported as "other accruals" on the Siemens Aktiengesellschaft consolidated balance sheet as of September 30, 1996 which is included in the Siemens Aktiengesellschaft consolidated financial statements for the year ended September 30, 1996.
3. We determined the arithmetical accuracy of the amounts entitled "Tangible net worth" and "Tangible net worth plus accrued decommissioning costs".
4. We agreed the amount in the column captions "Per Chief Financial Officer's Letter" to the amount reported as "Tangible net worth plus accrued decommissioning costs" in the 20 December 1996 letter from Dr. Karl-Hermann Baumann, Chief Financial Officer of Siemens Aktiengesellschaft, to the U.S. Nuclear Regulatory Commission.
5. We agreed the amount titled "Total assets in United States" to the amount reported on the Siemens Corporation consolidated balance sheet as of September 30, 1996, which is included in the Siemens Corporation Consolidated Financial Statements for September 30, 1996.

Because the above procedures are not sufficient to constitute an examination made in accordance with German generally accepted auditing standards, we do not express an opinion on any of the amounts, accounting records or the letter referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the information contained in Exhibit I should be adjusted. Had we performed additional procedures, matters might have come to our attention that would have been reported to you.

This report relates only to the Siemens Aktiengesellschaft "Schedule Reconciling Amounts Contained in Chief Financial Officer's Letter With Amounts Included in the Consolidated Financial Statements for the Year Ended September 30, 1996" set forth in the accompanying Exhibit I and does not extend to any other documents.

Exhibit I

SIEMENS AKTIENGESELLSCHAFT

SCHEDULE RECONCILING AMOUNTS CONTAINED IN CHIEF  
FINANCIAL OFFICER'S LETTER WITH AMOUNTS INCLUDED IN  
THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR  
ENDED

SEPTEMBER 30, 1996

	\$ in millions		
	Per Consolidated Financial Statements	Reconciling Item	Per Chief Financial Officer's Letter
Stockholder's equity	16,504		
Less Intangible assets, net	<u>905</u>		
Tangible net worth	15,599		
Add Accrued decommissioning cost (Mixed Waste 12, Balance of Plant 6)		18	
Tangible net worth plus accrued decommissioning costs			15,617
Total assets in United States			7,673

It is understood that this report is to be provided by the management of Siemens Aktiengesellschaft to the U.S. Nuclear Regulatory Commission to comply with the financial assurance regulations referred to in the first paragraph of this report. This report should not be referred to or distributed for any other purpose without our prior consent.

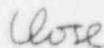
Very truly yours,

*KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft*



Dr. Marianne Schramm

ppa.



Martin Close

Attachment - Exhibit I

October 11, 1996

Mr. L. J. Maas  
Manager, Regulatory Compliance  
Siemens Power Corporation  
2101 Horn Rapids Road  
Richland, Washington 99352-0130

SUBJECT: DECOMMISSIONING FINANCIAL ASSURANCE DOCUMENTATION (TAC NO. L30884)

Dear Mr. Maas:

This is in reference to your Decommissioning Funding Plan (DFP) financial instruments, dated June 6, 1996, for decommissioning of the Richland manufacturing facility.

We have completed a review of the revised financial instruments and have identified a number of deficiencies, which are described in the enclosure to this letter. The additional information should be provided within 30 days of the date of this letter. Before you submit the responses, you are requested to participate in a conference call or meeting with the Fuel Cycle Licensing Branch, the Low-Level Waste and Decommissioning Projects Branch, and their contractor ICF, Inc., to discuss your responses to the review comments. I will contact you later in the week of October 21, 1996, to set up this conference call or meeting. Please reference the above TAC No. in future correspondence related to the request.

If you have any questions or need further information, please contact me at (301) 415-8111.

Sincerely,

Original signed by: MTokar for

Mary Thoma Adams  
Licensing Section 2  
Licensing Branch  
Division of Fuel Cycle Safety  
and Safeguards, NMSS

Docket 70-1257  
License SNM-1227

Enclosure: Review of Decommissioning  
Funding Plan Parent  
Company Guarantee

DISTRIBUTION: w/encls (Control No. 2EOS)

Docket 70-1257

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CHooker, RIV

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OFC	FCLB	E	FCLB	FCLB	E
NAME	MA Adams		PShea	MTokar	
DATE	10/11/96		10/10/96	10/11/96	

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SPP



UNITED STATES  
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

October 11, 1996

Mr. L. J. Maas  
Manager, Regulatory Compliance  
Siemens Power Corporation  
2101 Horn Rapids Road  
Richland, Washington 99352-0130

SUBJECT: DECOMMISSIONING FINANCIAL ASSURANCE DOCUMENTATION (TAC NO. L30884)

Dear Mr. Maas:

This is in reference to your Decommissioning Funding Plan (DFP) financial instruments, dated June 6, 1996, for decommissioning of the Richland manufacturing facility.

We have completed a review of the revised financial instruments and have identified a number of deficiencies, which are described in the enclosure to this letter. The additional information should be provided within 30 days of the date of this letter. Before you submit the responses, you are requested to participate in a conference call or meeting with the Fuel Cycle Licensing Branch, the Low-Level Waste and Decommissioning Projects Branch, and their contractor ICF, Inc., to discuss your responses to the review comments. I will contact you later in the week of October 21, 1996, to set up this conference call or meeting. Please reference the above TAC No. in future correspondence related to the request.

If you have any questions or need further information, please contact me at (301) 415-8111.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mary Thoma Adams", is written above the typed name.

Mary Thoma Adams  
Licensing Section 2  
Licensing Branch  
Division of Fuel Cycle Safety  
and Safeguards, NMSS

Docket 70-1257  
License SNM-1227

Enclosure: Review of Decommissioning  
Funding Plan Parent  
Company Guarantee

REQUEST FOR ADDITIONAL INFORMATION  
Siemens Power Corporation  
Docket No. 70-1257

Siemens Power Corporation (SPC) in Bellevue, Washington, submitted a parent company guarantee/financial test from Siemens Aktiengesellschaft in the amount of \$27,000,000, along with an unexecuted amendment to a previously-submitted standby trust agreement.<sup>1</sup> The parent company guarantee is intended to replace two previously-submitted Letters of Credit (see Other Issue a). The submission addresses decommissioning costs of \$27,000,000 for license SNM-1227 issued under 10 CFR Part 70. Upon review of the submission, NRC has determined that it should be modified in the following way:

- (1) Submit an alternative financial assurance mechanism, or clarify the guarantor's ability to pass the financial test.

If SPC chooses to use the financial test by the parent company guarantor (see Recommendation 1), then NRC has determined that the following actions are necessary:

- (2) Revise Recitals 8 and 9 of the parent guarantee agreement to specify recommended deadlines regarding annual financial test updates and alternative financial assurance (*Regulatory Guide 3.66*, page 4-43);
- (3) Notarize the parent guarantee (*Regulatory Guide 3.66*, page 4-44); and
- (4) Execute the amendment to the standby trust agreement.

These recommendations and other issues are discussed below.

- (1) **Submit an Alternative Financial Assurance Mechanism, or Clarify the Guarantor's Ability to Pass the Financial Test**

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<sup>1</sup> ICF reviewed several previous submissions from the licensee and reported recommendations to NRC in memoranda dated September 2, 1993, November 15, 1994, March 16, 1995, and June 1, 1995. ICF also reviewed a submission from the licensee's predecessor, Advanced Nuclear Fuels Corporation, and reported recommendations to NRC in a memorandum dated January 4, 1991.

ENCLOSURE



The guarantor's ability to pass the required financial test is uncertain because it appears that the guarantor's financial statements have been prepared in accordance with German generally accepted accounting principles, rather than U.S. generally accepted accounting principles.<sup>2</sup> Although NRC regulations and guidance do not address the issue of whether foreign accounting practices are acceptable for purposes of NRC's financial test, the financial test was developed based on an analysis of financial data for U.S. firms; consequently, NRC's financial test may not be applicable or effective when used in conjunction with financial data, such as the guarantor's, that were prepared in accordance with foreign accounting practices.

Because of the uncertainty regarding the applicability of German accounting practices to NRC's financial test, SPC should either use an alternative financial assurance mechanism or demonstrate that use of German generally accepted accounting principles does not reduce the stringency of NRC's financial test.

If SPC chooses to demonstrate that use of German generally accepted accounting principles does not reduce the stringency of the financial test, SPC must also implement the other recommendations discussed below.

- (2) **Revise Recitals 8 and 9 of the Parent Guarantee Agreement to Specify Recommended Deadlines Regarding Annual Financial Test Updates and Alternative Financial Assurance (*Regulatory Guide 3.66*, page 4-43)**

Recital 8 of the submitted guarantee agreement states that the guarantor agrees to submit revised financial statements, financial test data, and a special auditor's report and reconciling schedule annually within 120 days of the close of the guarantor's fiscal year. However, Recital 8 of the recommended wording in *Regulatory Guide 3.66*, page 4-43, states that the guarantor should agree to update these materials within 90 days of the close of its fiscal year. Similarly, Recital 9 of the submitted guarantee agreement states that if the guarantor fails to meet the financial test criteria at the end of any fiscal year, the licensee will notify NRC within 120 day of the end of the fiscal year of its intent to provide alternative financial assurance, and the guarantor will provide alternative financial assurance within 150 days of the end of the fiscal year if the licensee has not done so. Recital 9 of the recommended wording in *Regulatory Guide 3.66*, page 4-43, allows only 90 days and 120 days, respectively, for notifying NRC and for providing alternative financial assurance.

With regard to the extended deadlines specified in the submitted guarantee

---

<sup>2</sup> German generally accepted accounting principles are referenced twice in the special report from the guarantor's certified public accountant (KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft). In addition, the accountant's opinion on the guarantor's 1995 financial statements states that "the consolidated financial statements . . . comply with the German legal provisions." This statement is also consistent with the use of German accounting principles.