

Record of Proceedings, Including Reasons for Decision

In the Matter of

Applicant Shield Source Incorporated

Subject Financial Guarantee for the Future
Decommissioning of the Class IB Nuclear
Substance Processing Facility Located in
Peterborough, Ontario

Hearing Date April 12, 2007

RECORD OF PROCEEDINGS

Applicant: Shield Source Inc.

Address/Location: R.R. #5, Municipal Airport, Peterborough, ON, K9J 6X6

Purpose: Financial Guarantee for the future decommissioning of the Class IB Nuclear Substance Processing Facility located in Peterborough, Ontario

Application received: February 16, 2007

Date(s) of hearing: April 12, 2007

Location: Canadian Nuclear Safety Commission (CNSC) Public Hearing Room, 280 Slater St., 14th. Floor, Ottawa, Ontario

Members present: L. J. Keen, Chair
A.R. Graham
M. J. McDill

Secretary: M. A. Leblanc
Recording Secretary: M. Young
General Counsel: S. Maislin Dickson

Applicant Represented By	Document Number
• B. Lynch, President	CMD 07-H108.1 CMD 07-H108.1A
CNSC staff	Document Number
• B. Howden	CMD 07-H108
• J. Schmidt	CMD 07-H108.A

Licence Condition: Requirements met
Date of Decision: April 12, 2007

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Introduction

1. Shield Source Incorporated (SSI) has requested that the Canadian Nuclear Safety Commission (CNSC¹) accept the financial guarantee it has submitted for the future decommissioning of the Class IB Nuclear Substance Processing Facility located in Peterborough, Ontario. The financial guarantee was submitted pursuant to Condition 10 in licence NSPFOL-12.02/2009. The financial guarantee was submitted in the form of an Escrow Agreement and a Financial Security and Access Agreement.
2. The Commission requires that the operators of nuclear facilities establish and maintain acceptable financial guarantees for the ultimate decommissioning of their facilities. A financial guarantee must be in place and sufficient to cover the planned decommissioning activities, including in the event of a premature shutdown of the facility. CNSC Regulatory Guide G-206² provides guidance on the attributes of an acceptable financial guarantee in terms of liquidity, certainty and adequacy of value, and continuity.

Issues

3. In considering the application, the Commission was required to decide:
 - a) if the Escrow Agreement and Financial Security and Access Agreement constitute an acceptable financial guarantee for the decommissioning of SSI's Class IB Nuclear Substance Processing Facility located in Peterborough, Ontario; and
 - b) if SSI has fulfilled the requirements of Condition 10 of licence NSPFOL-12.02/2009.

Hearing:

4. Pursuant to section 22 of the NSCA, the President of the Commission established a Panel of the Commission to review the request.
5. The Panel of the Commission (hereafter referred to as the Commission), in making its decision, considered information presented for a hearing held on April 12, 2007 in Ottawa, Ontario. During the hearing, the Commission considered written submissions from CNSC staff (CMD 07-H108 and CMD 07-H108.A) and SSI (CMD 07-H108.1 and CMD 108.1A).

¹ In this *Record of Proceedings*, the *Canadian Nuclear Safety Commission* is referred to as the "CNSC" when referring to the organization and its staff in general, and as the "Commission" when referring to the tribunal component.

² CNSC Regulatory Guide G-206, *Financial Guarantees for the Decommissioning of Licensed Activities*, June 2000

Decision

6. Based on its consideration of the matter, as described in more detail in the following sections of this *Record of Proceedings*,

the Commission, pursuant to section 24 of the Nuclear Safety and Control Act, accepts the Escrow Agreement for \$365,798.80 and Financial Security and Access Agreement as the financial guarantee provided by Shield Source Inc. for the future decommissioning of the Shield Source Inc. Class IB Nuclear Substance Processing Facility located in Peterborough, Ontario. The current licence for this facility is NSPFOL-12.02/2009.

Issues and Commission Findings

7. In making its decision, the Commission considered issues related to the acceptability of the financial guarantee.

Primary Decommissioning Plan and Financial Guarantee

8. CNSC staff reported that during the two-day public hearing³ on March 24, 2004 and July 8, 2004 for the renewal of the operating licence for SSI, the revised Preliminary Decommissioning Plan (PDP) was found to be acceptable. At that time, CNSC staff recommended that a condition be added to the licence to establish an acceptable financial guarantee for decommissioning. CNSC staff reported that a financial guarantee was proposed on December 28, 2006 and revised on February 19, 2007.
9. CNSC staff reported that the estimated cost for decommissioning was determined to be \$365,798.80. CNSC staff explained that the estimated cost was determined using reasonable cost assumptions, including labour costs, decontamination costs, waste disposal costs, environmental assessment and licensing costs, plus a 25% contingency allowance.
10. CNSC staff stated that in order to meet the financial commitment for decommissioning, SSI proposed to split the cost of decommissioning into two phases. CNSC staff explained that the first phase will bring the facility into a safe state of closure and include the costs for the removal of all inventories of nuclear substances and hazardous materials from the facility in order to minimize the risk to the public and the environment. In addition, CNSC staff noted that all tritium sources and devices would be removed and transferred to a licensed radioactive waste management facility. CNSC staff reported that the cost for the safe state of closure is estimated to be \$99,153.75. CNSC staff stated that the second phase includes the costs of all other remaining decommissioning tasks, as outlined in the PDP.

³ Refer to the Record of Proceedings on *Application to Renew the Licence to Operate a Class IB Nuclear Substance Processing Facility in Peterborough, Ontario*, published on July 23, 2004

11. CNSC staff stated that SSI submitted a Draft Escrow Agreement to the CNSC in March, 2007. CNSC staff explained that the initial amount, which will completely cover the safe state of closure, has been accrued by SSI and will be deposited into the escrow account. CNSC staff noted that the escrow account will be funded by SSI with monthly and quarterly deposits until the total amount for decommissioning is reached in August 2010.
12. In addition, SSI stated that it submitted a Financial Security and Access Agreement (Access Agreement), which defines the amount and timing of funding contributions, terms concerning use of funds, and CNSC access to funds.
13. CNSC staff stated that the Access Agreement contains a condition which will allow the CNSC to demand and receive payment from the escrow account if SSI is deemed to be in default of its obligations as described in the Access Agreement. CNSC staff stated that the use of an escrow account to accumulate funds for decommissioning will provide the CNSC with the assurance that the funding schedule proposed by SSI will be met.
14. SSI stated that it has been making deposits into its decommissioning account since July 2005 in accordance with its proposed funding schedule. SSI stated that it is committed to meeting its stated funding obligations in accordance with the decommissioning plan. CNSC staff confirmed that SSI has continued to make proactive monthly contributions to the decommissioning account, and reported that, to date, SSI has accrued funds in excess of the amount designated for safe state of closure (\$99,153.75). CNSC staff noted that this amount would be used as the initial deposit into the escrow account.
15. The Commission also inquired about the uniqueness of this type of financial guarantee. CNSC staff responded that while all financial guarantees are unique, this is the third time this type of financial guarantee has been used for building up funds over two phases and using the safe state of closure as a risk reduction measure.
16. The Commission inquired about the possibility of SSI relocating from its present location before the decommissioning is complete. SSI responded that while it plans to have a new facility constructed in the future, it will not relocate until it is able to decommission the present facility, which is being leased. SSI noted that the present location is adequate for its current operations and will continue to be used until sufficient funds are available for the decommissioning of the present site and the construction of a new facility.
17. The Commission sought confirmation that the CNSC will have access to the funds in the escrow account in the event that the licensee fails or defaults in its decommissioning obligations. CNSC staff confirmed that under the Access Agreement for the financial guarantee, the CNSC will have access to the funds for the decommissioning of the facility.
18. The Commission expresses the view that this Access Agreement is a positive and important facet of the financial guarantee.

Conclusion

19. The Commission has considered the information and submission of the CNSC staff as presented in the material available for reference on the record.
20. The Commission is satisfied that the financial guarantee submitted by SSI is acceptable. The Commission is also satisfied that SSI has made and is expected to continue to make adequate provision for the protection of the environment, the health and safety of persons and the maintenance of national security and the measures required to implement international obligations to which Canada has agreed.
21. The Commission therefore accepts the Escrow Agreement for \$365,798.80 and Financial Security and Access Agreement as the financial guarantee provided by SSI for the future decommissioning of the SSI Class IB Nuclear Substance Processing Facility located in Peterborough, Ontario.

Linda J. Keen,
President
Canadian Nuclear Safety Commission

Date of decision: April 12, 2007

Date of release of Reasons for Decision: May 25, 2007