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

October 6, 1998

Ms. Barbara Dankmyer
Resident Manager
Molycorp, Inc.
300 Caldwell Avenue
Washington, PA 15301

SUBJECT: REVIEW OF MOLYCORP, INC., WASHINGTON SITE
DECOMMISSIONING FUNDING PLAN

Dear Ms. Dankmyer:

This letter provides questions and comments (enclosed) as a result of the U.S. Nuclear Regulatory Commission's (NRC) staff review of the Molycorp, Inc., (Molycorp), Washington site decommissioning funding plan (DFP), including a review of the estimated costs that would be incurred should it be necessary for a third party to independently complete decommissioning work. In addition, the enclosure also contains questions from NRC's review of Molycorp's parent company guarantee which was provided as financial assurance for the proposed decommissioning activities at the Washington site. Please provide your responses to these questions and comments by November 1, 1998.

Please note that the staff cannot take final action on Molycorp's request for an amendment to construct an interim storage facility until we have determined that the DFP is adequate.

If you have any questions regarding this matter, please contact Roy Person of my staff at (301) 415-6701.

Sincerely,

A handwritten signature in dark ink, appearing to read "John W. N. Hickey".

John W. N. Hickey, Chief
Low-Level Waste and Decommissioning
Projects Branch
Division of Waste Management
Office of Nuclear Material Safety
and Safeguards

Docket Nos.: 040-8778
040-8794
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SMB-1408

9/29/98

NRC'S QUESTIONS AND COMMENTS ON MOLYCORP INC. WASHINGTON SITE
DECOMMISSIONING COST ESTIMATE AND PARENT COMPANY GUARANTEE

A. DECOMMISSIONING COST ESTIMATE

A review of MolyCorp Inc.'s (MolyCorp) estimated decommissioning costs, submitted as part of its decommissioning plan indicates that the cost estimate (\$4,472,213.00) may be lower than the actual cost required for decommissioning the Washington site. In order to determine, more accurately, what the actual cost could be, MolyCorp should revise its submittal to provide the following:

1. The cost estimate should include a 25 percent contingency factor as recommended in NUREG/CR-1754, addendum 1;
2. The cost estimate of \$4,472,213.00 should be in 1998 dollars. If the estimate was computed in 1996 dollars (cost estimate references the 1996 Final Design Report), it should be escalated to 1998 dollars;
3. The cost estimate for radiological surveys under "Removal and On-site Disposal" does not appear to include the cost of sample preparation and analysis. Such cost should be included in addition to survey labor. If the methodology for your radiological survey is NUREG/CR 5849, "Manual for Conducting Radiological Surveys in Support of License Termination," then a statement to that affect should be provided or a description of the radiological survey referenced in the cost estimate should be included,
4. A statement should be provided describing the Taylor Construction cost estimate and whether it is based on a signed contract or is an estimate. If it is an estimate, the licensee should provide the supporting work sheets;
5. The estimate should state that all low-level waste resulting from decommissioning will be disposed of in the on-site disposal cell or the estimate should include costs for off site disposal and
6. MolyCorp provided a construction cost estimate, reportedly, based on RS Means Company's estimated construction costs. However, these construction cost estimates differ from construction cost estimates contained in the 1998 version of "RS Means Construction Cost Estimates." MolyCorp should revise its cost estimates to accurately reflect the current RS Means cost estimate values or provide an alternate rationale for the estimated construction costs.

ENCLOSURE

B. PARENT COMPANY GUARANTEE

1. Molycorp should use the recommended wording for documents needed to support the corporate guarantee (see Section 4.7, pp 4-35 and 4-44 in NRC Regulatory Guide 3.66). Specifically, the wording for the following documents should be revised to reflect what is recommended in this guidance:
 - a. Letter from Chief Executive Officer of licensee (pp 4-35);
 - b. Letter from Chief Financial Officer of Corporate Parent (pp 4-36 and 4-38).
 - c. Auditor's Special Report by Certified Public Accountant (pp 4-39 and 4-40); and
 - d. Parent Company Guarantee (pp 4-41 and 4-44).
2. Molycorp should provide its latest Annual Report and financial report filed with the U.S. Securities and Exchange Commission for the year in which the guarantee is in effect