Docket
40-7102

SHIELDALLOY METALLURGICAL CORPORATION

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May 21, 2001

Mr. Theodore S. Sherr, Chief
Licensing and International Safeguards Branch
Division of Fuel Cycle Safety and Safeguards, NMSS
U. S. Nuclear Regulatory Commission
Washington, D.C. 20555-0001

Re: Decommissioning Funding Plan for Source Material License No. SMB-743 (TAC No. L31338)

Dear Mr. Sherr:

On May 10, 2001, representatives of Shieldalloy Metallurgical Corporation (SMC) participated in a conference call with Mr. Tom Frederick and Ms. Julie Olivier, U. S. Nuclear Regulatory Commission (USNRC) Headquarters. The purpose of that conference call was to resolve two items that remained outstanding from our March 6, 2001 letter to the USNRC. As you will recall, the March 6th letter contained the information about the SMC Decommissioning Funding Plan (DFP) requested by the USNRC in an April 20, 2000 letter. The following describes the two outstanding items and our response:

Item 1: In Section 3.3 of Rev. 1 of the DFP, reference is made to the contents of 10 CFR 20.1402 in a manner that implies a "restricted release" decommissioning objective might be applicable for the Newfield facility. SMC should make clear which objective is, indeed, applicable.

> **SMC Response:** SMC concurs with this observation. To ensure clarity in the decommissioning objective, the following sentence will be deleted from Section 3.3 of the DFP: "Furthermore, an analysis must be conducted to verify that exposure to members of the public is limited to less than 100 mrem per year in the event that the land use controls fail."
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> In addition, the last sentence in Section 3.3 will be modified to read as follows: "Because the goal of decommissioning the Newfield site is to ensure that members of the general population do not incur radiation doses in excess of 25 millirem per year after the license is terminated, these two objectives (i.e., the dose limit contained in 10 CFR 20.1402 and the ALARA provisions) form the basis for the level of effort necessary for decommissioning and for this decommissioning funding plan."

Item 2: In Table 3.15 of Rev. 1 of the DFP, reference is made to the cost of the engineered cap. The basis for that cost is the cost of the cap for the West Slag Pile at SMC's Cambridge, Ohio facility, as contained in the Draft Environmental Impact Statement (DEIS) prepared by the USNRC for the decommissioning of that site. The Cambridge cost then appears to have been multiplied by the ratio of the Newfield material volume to the Cambridge material volume. In other words, the Newfield cap cost was assumed to be 42% of the Cambridge West Pile cap cost because the Newfield volume of material to be placed under the cap is only 42% of the material that exists within the West Pile.

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However, the cap cost will more likely scale up and down based upon the ratio of surface areas, rather than on the ratio of volumes.

> **SMC Response:** SMC concurs with this observation. By assuming that the surface area of both the West Pile and the materials to be placed in the Newfield Storage Yard is equal to the square of the cubed root of the volume of each, the surface area ratio is about 56% (Newfield to Cambridge). Thus the cost of the engineered cap for the Newfield site is estimated to be $289,334, rather than the $215,628 that appeared in Rev. 1 of the DFP.
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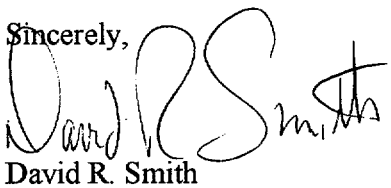
> To ensure a defensible and reasonably conservative estimate of decommissioning costs, Table 3.15 will be modified to reflect a cost of $758,286 for the disposal cap, including engineering design, markups and other factors. In addition, footnote "a" will be modified to read as follows: "Derived from the West Pile cap cost shown in Section 5 of U. S. Nuclear Regulatory Commission, NUREG-1543, "Environmental Impact Statement; Decommissioning of the Shieldalloy Metallurgical Corporation Cambridge, Ohio Facility", July, 1996. Because the Newfield disposal volume will be only 42% of the West Pile volume, the West Pile cap cost was scaled to reflect the approximate ratio of surface areas. As shown in Appendix C, this ratio is 56%. Therefore, the Newfield cap cost is estimated to be $513,400 x 0.56 = $289,334). To this was added overhead and profit (30%), administrative costs (10%), engineering oversight (20%), the cost of permits and legal actions (10%), and engineering design cost (20%), for a total of $758,286 (see Appendix C)."

Also in our May 10th conference call, SMC agreed to provide the USNRC with a schedule for submitting a revised DFP that includes the commitments contained herein, as well as those that appeared in our March 6th letter. To that end, SMC will submit to the USNRC Rev. 2 of Report No. 94005/G-9194, "Decommissioning Funding Plan for the Newfield, New Jersey Facility" prior to June 8, 2001. In that revision, Section 6 will be revised to include SMC's certification that financial assurance for the full estimated cost of decommissioning is in place, and the signed financial instrument(s).

If you have any questions or if we can provide you with additional information prior to submission of Rev. 2 of the DFP, please do not hesitate to call me at (856) 692-4200, ext. 226. We appreciate your efforts, and those of your staff, on this important licensing issue.

Sincerely,



David R. Smith
Radiation Safety Officer

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