

40-7102



SHIELDALLOY METALLURGICAL CORPORATION

DAVID R. SMITH
ENVIRONMENTAL MANAGER
Aluminum Products & Powders Division

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TELEPHONE (609) 692-4200

October 1, 2001

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

Re: Decommissioning Funding Plan for Shieldalloy Metallurgical Corporation, Newfield,
New Jersey facility -Source Material License No. SMB-743 (TAC No. L31338)

Dear Mr. Leach

In accordance with Provision No. 15 of Source Material License No. SMB-743, Shieldalloy Metallurgical Corporation (SMC) forwarded to you Report No. 94005/G-9194, "Decommissioning Funding Plan for the Newfield, New Jersey Facility (Revision 0)" on October 19, 1999. In a letter dated February 11, 2000, you informed SMC that our Plan was denied. On April 20, 2000, SMC provided responses to the denial, along with Revision 1 of the referenced Plan. In a letter dated December 7, 2000, the USNRC requested that additional information be provided before final action is taken on our Plan. Our letter of March 6, 2001 provided you with this additional information. Subsequent to the March 6, 2001 submittal, Ms. Julie Olivier, USNRC Project Manager, informed SMC that there were still two items that required resolution before the final revision should be submitted. On May 10, 2001, representatives of SMC participated in a conference call with Ms. Olivier and Mr. Tom Frederick, USNRC, in order to resolve those remaining two items. SMC believes that we have now addressed all the items of concern and made the necessary revisions to the Plan (Revision 2) which is attached for your review and approval.

Also attached is a copy of the letter of credit in the amount of \$4,250,000 of which the State of New Jersey (Department of Environmental Protection) and the United States of America (Environmental Protection Agency) are identified as the beneficiaries. This letter of credit was established pursuant to §16.A of the Settlement Agreement of Environmental Claims and Issues by and between the Debtors (Metallurg, Inc. and Shieldalloy Metallurgical Corporation) and the United States of America and the State of New Jersey. The letter of credit when combined with our existing trust fund for the exclusive benefit of the USNRC, comprise the required \$5 million of financial assurance for decommissioning of the USNRC slag pile at the Newfield site. The Decommissioning Cost Estimate as presented in Chapter 5 of the referenced DFP is \$2,977,845 which is approximately \$2,000,000 less than the total financial assurance established pursuant the Bankruptcy Settlement Agreement.

NMSSO/Pub

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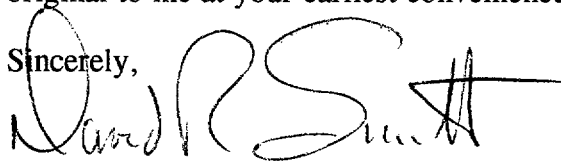
To meet the USNRC requirement that SMC provide financial assurance in the amount specified in the DFP, SMC proposes issuing a new letter of credit to the benefit of USNRC in the amount of \$2,977,845, the full amount of the Estimated Cost of Decommissioning. This is, of course, with the understanding that in accordance with §16.C and 26 of the Settlement Agreement:

- (1) USNRC release the moneys in the NRC Financial Assurance Fund (trust account - \$750,000 plus interest) to SMC and;
- (2) U.S. (EPA) and New Jersey (DEP) agree to the reduction of the Joint Financial Assurance Fund to an amount of \$2,022,155 (\$5,000,000 less \$2,977,845).

I have attached the appropriate sections of the Bankruptcy Settlement Agreement for your use and information. Since this process of issuing a new letter of credit and amending the existing letter of credit will require the cooperation of USEPA and NJDEP, I am copying representatives of each agency. Per this letter, SMC is requesting USEPA and NJDEP to acknowledge their agreement to a reduction in the existing letter of credit (Joint Financial Assurance Fund as stated above) concurrent with our issuing the new letter of credit in the amount of \$2,977,845 for the benefit of the USNRC.

If you have any questions or if I can provide you with additional information to facilitate your review of this, please contact me at (856) 692-4200, ext. 226. Otherwise, please indicate the agreement of the USNRC, USEPA and NJDEP in the respective spaces below and return an original to me at your earliest convenience.

Sincerely,



David R. Smith
Radiation Safety Officer

cc: Nigel C. Morrison
Hugo L. Nieves
Steve Danilak
Ellen Harmon, Esq.- Metallurg
Jay E. Silberg, Esq. - ShawPittman
David Berz, Esq.-Weil Gotshal
Carol D. Berger - IEM
Julie Olivier - USNRC Licensing Section 2

Leslie Field - USNRC Licensing Section 2
Marie Miller - USNRC Region 1
Donna L. Gaffigan - NJDEP-BRPSR
Kenneth Elwell, Esq. - NJ-DAG
Carole Petersen - USEPA Region II-NJSuperfund Branch
USEPA Region II - ORC -attn: Shieldalloy Attorney

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READ AND AGREED TO:

U.S. NUCLEAR REGULATORY COMMISSION

BY: _____

U.S. ENVIRONMENTAL PROTECTION AGENCY

BY: _____

STATE OF NEW JERSEY, DEPARTMENT OF ENVIRONMENTAL PROTECTION

BY: _____