

40-7102



SHIELDALLOY METALLURGICAL CORPORATION

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September 27, 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 Shieldalloy Metallurgical Corporation, Newfield,
New Jersey facility -Source Material License No. SMB-743 (TAC No. L31338)

Dear Mr. Sherr:

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 purpose of this letter of credit was to make up the balance of financial assurance to the agreed upon level of \$5,000,000 to address the USNRC Slag Pile Remediation issues. §16.C of the Settlement

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Agreement directed USNRC to draw down the previously posted letter of credit in the amount of \$750,000. The proceeds were to be deposited into a separated trust account for the benefit of USNRC, thereby establishing the total agreed upon financial assurance for addressing decommissioning of the Newfield site (including the slag pile) of \$5,000,000. 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 to the Bankruptcy Settlement Agreement.

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 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 by an amount of \$2,227,845, in accordance with §26 of the Settlement Agreement.

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 involvement of USEPA and NJDEP, I am copying representatives of each agency. Per this letter SMC is requesting USEPA and NJDEP to provide written concurrence to SMC that they will act in a timely manner and approve amending the existing letter of credit (Joint Financial Assurance Fund as stated above) prior to our issuing the new letter of credit in the amount \$2,977,845 to benefit USNRC.

If you have any questions or if I can provide you with additional information to facilitate your review of this revised plan, please contact me at (856) 692-4200, ext. 226. We would be willing to meet with you and representatives of USEPA and NJDEP to discuss the timing and how best to orchestrate and implement these changes to the financial assurance instruments.

Sincerely,

David R. Smith
Radiation Safety Officer

cc: Nigel C. Morrison
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