

April 8, 2002

Mr. Gary L. Tessitore
Chief Executive Officer
Fansteel Inc.
Number One Tantalum Place
North Chicago, Illinois 60064

SUBJECT: ISSUES REGARDING FANSTEEL SPECIALITY METALS

Dear Mr. Tessitore:

Fansteel and certain of its subsidiaries recently filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. In the bankruptcy pleadings and related interactions with staff from the Nuclear Regulatory Commission (NRC), Fansteel has raised several issues regarding the Fansteel Speciality Metals facility near Muskogee, Oklahoma that need clarification:

- In a meeting with NRC staff in November 2001, and in paragraph 32 of your affidavit of January 14, 2002, in the bankruptcy proceeding, you stated that Fansteel may operate the reprocessing plant at Muskogee at some unspecified time in the future. Note that license SMB-911 expires on September 30, 2002. If Fansteel wishes this license to stay in effect beyond that date, as stated in 10 CFR 40.42(a)(1), it must file an application for renewal not less than 30 days before the expiration date. If Fansteel files no such application, the license will expire and all operations will be prohibited. Other conditions of the license regarding decommissioning and control of licensed material will remain in effect in accordance with 10 CFR 40.42(c). Fansteel should either:
 - formally notify NRC that it has ceased operations, or
 - submit, prior to August 31, 2002, a request for license renewal as required by 10 CFR 40.43, and the environmental report required by 10 CFR 51.60.
- In the November 2001 meeting, Fansteel indicated it may completely decommission the Muskogee site rather than operate the facility to reduce waste volume. 10 CFR 40.42(d) specifies the time-frame for decommissioning inactive sites. 10 CFR 40.42(f) and (g) identify the conditions under which licensees may request alternate schedules for initiation of and completion of decommissioning, respectively. If Fansteel decides to permanently cease principal activities at the site (operation of the rare earths recovery facility), it must either:

- meet the schedule requirements of Section 40.42(d) , or
- request alternate schedules in a timely manner.

- In its initial bankruptcy filing, Fansteel said it may need additional funding to meet NRC financial assurance requirements. 10 CFR 40.36 specifies that licensees must obtain and submit an approved financial instrument in the amount of the cost estimate for decommissioning. This section also identifies acceptable financial instruments to meet this requirement. In addition to an updated, detailed estimate of the cost of decommissioning, the submittal required by license condition 21 must include either:
 - one of the instruments specified by 10 CFR 40.36, in an amount sufficient to cover the cost estimate, or
 - a request for an exemption from Section 40.36 pursuant to 10 CFR 40.14.

Please provide a response to this letter in conjunction with your June submittal, showing Fansteel's intentions on these issues and a schedule for implementing them.

Mr. James Shepherd, of my staff, is the project manager for the decommissioning of the Fansteel Speciality Metals facility. If you have any questions regarding this letter, please contact him at 301-415-6712 or jcs2@nrc.gov.

Sincerely,

/RA/

Larry W. Camper, Chief
Decommissioning Branch
Division of Waste Management
Office of Nuclear Material Safety and Safeguards

Docket No.: 40-7580
License: SMB-911

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/RA/
 Larry W. Camper, Chief
 Decommissioning Branch
 Division of Waste Management
 Office of Nuclear Material Safety and Safeguards

Docket No.: 40-7580
 License: SMB-911
 TAC# L60555

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