

April 24, 2002

Ms. Jennifer Mapes
Honeywell International, Inc.
101 Columbia Road
Morristown, NJ 07962

Dear Ms. Mapes:

SUBJECT: FINANCIAL ASSURANCE FOR DECOMMISSIONING

The Staff received your March 29, 2002 letter updating the financial tests used to demonstrate qualification for using a self-guarantee of financial assurance for decommissioning costs of your Metropolis facility. The staff determined that additional information is needed to complete its review of your financial assurance instruments.

Due to changes in the decommissioning cost, applicable regulations, and regulatory guidance since the date the original Self-Guarantee Agreement was submitted to the U.S. Nuclear Regulatory Commission (NRC), the following changes are needed:

- 1) Revise and update the Self-Guarantee Agreement,
- 2) Submit the financial test in a letter to the NRC signed by a corporate officer, and
- 3) Revise the financial test.

Regulatory guidance on the standard format and contents of financial assurance mechanisms for decommissioning has been issued in Appendix F to NUREG-1727, "NMSS Decommissioning Standard Review Plan." The relevant portion of that guidance is enclosed. Please revise your documents to conform with the NRC's regulatory guidance.

If you have any questions, please contact Mr. Thomas Fredrichs at (301) 415-5971, e-mail address: tlf@nrc.gov.

Sincerely,

/RA/

Thomas L. Fredrichs, Project Manager
Facilities Decommissioning Section
Office of Nuclear Material Safety
and Safeguards

Enclosures: 1. Request for Additional Information
2. Excerpt of NUREG-1727

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REQUEST FOR ADDITIONAL INFORMATION

HONEYWELL INTERNATIONAL, INC.

Introduction

By letter dated March 29, 2002 the licensee submitted updated financial tests to demonstrate qualification for using a self-guarantee of financial assurance for decommissioning costs of its Metropolis facility. The staff compared the licensee's submission to the requirements of Appendix C to 10 CFR Part 30 and the guidance contained in Section 15 and Appendix F to NUREG-1727, "NMSS Decommissioning Standard Review Plan."

The staff determined that additional information is needed to complete its review of Honeywell's financial assurance instruments.

Self-Guarantee Agreement

The terms of a licensee's self-guarantee to the Nuclear Regulatory Commission (NRC) are contained in a Self-Guarantee Agreement. The Self-Guarantee Agreement currently in place for Honeywell was originally submitted in 1994 by its predecessor company, Allied Signal. Since then, changes have occurred in the cost of decommissioning the Metropolis facility and the regulations governing the use of a self-guarantee. For example, the Self-Guarantee Agreement refers to Appendix B to 10 CFR Part 30. However, the relevant appendix is Appendix C to 10 CFR Part 30. In addition, the decommissioning cost of the facility has been revised upward from \$16,200,000, as estimated by Allied Signal in 1994, to \$106,000,000, as estimated by Honeywell in 2002. The language of the original Agreement was submitted before the NRC issued regulatory guidance on the format and content of such agreements, and does not conform to that guidance. The recommended format and content is illustrated in Section 14.13 of Appendix F to NUREG-1727.

Therefore, the Self-Guarantee Agreement needs to be revised and updated to conform to the standard format and content of NUREG-1727.

Chief Financial Officer (CFO) Letter

The NRC's regulatory guidance for financial assurance includes a standard format and content for the letter transmitting the financial test for financial assurance. The letters received on March 29, 2002 differ from the standard format and content contained in NRC guidance, Appendix F to NUREG-1727. For example, the letter included with Honeywell's submittal is an internal letter from the Vice-President and Controller to the Chief Counsel - Fluorine Products of Honeywell. This internal letter does not constitute a guarantee made by Honeywell to the NRC that the company has passed the financial test. The recommended format and content is referred to as the "CFO Letter," and is illustrated in Section 14.4 of Appendix F to NUREG-1727.

Therefore, Honeywell needs to revise the CFO letter submitting its financial test to the NRC to conform to the standard format and content of NUREG-1727.

Financial Test

NUREG-1727 contains the NRC's guidance for the format and content of the financial test. The guidance document shows that the appropriate amount of decommissioning costs to be compared to the licensee's tangible net worth includes all amounts covered by parent company guarantees, self-guarantees, or financial tests of other Federal or State agencies (e.g., EPA).

Some of the guarantees may be to other agencies for hazardous chemical cleanup, rather than radioactive material. The intent is to assure that the licensee possess adequate tangible net worth to assure payment of the costs of decommissioning its radioactive facilities after taking into account the total amount of all other environmental cleanup costs guaranteed by a parent company or self-guarantee. In the event that the cost of decommissioning a radioactive materials facility would cause the ratio of tangible net worth to total environmental cleanup costs to fall below 10, then the licensee is not eligible to use a self-guarantee as financial assurance for decommissioning a radioactive facility.

However, the financial test submitted by Honeywell specifically lists only the amount for decommissioning its Metropolis facility. The amount used in line 1 of the financial test should include the amounts of any guarantees Honeywell has made to other Federal or State agencies, such as the EPA. If there are no such other guarantees, line 1 should note that the amount of other guarantees is zero. Using the standard format and content shown in Section 14.5 of Appendix F to NUREG-1727 will assure that the total amount of guarantees made to other Federal or State agencies for decommissioning costs will be included in the financial test or, if there are no such other guarantees, noted to be zero.

In addition, NRC regulations rely on ratings of bonds that are not secured by insurance, letter of credit, or other collateral or guarantee. The financial test submitted by Honeywell does not specifically state that the bond rating noted on line 2 of its financial test represents an unsecured bond. However, line 2 of the standard format and content of Section 14.5 of Appendix F to NUREG-1727 illustrates that the bond issuance used to pass the financial test needs to be specifically identified as an unsecured bond.

Therefore, Honeywell needs to revise the financial test to conform to the standard format and content of NUREG-1727.

Regulatory Guidance

Regulatory guidance on the standard format and contents of financial assurance mechanisms for decommissioning has been issued in Appendix F to NUREG-1727, "NMSS Decommissioning Standard Review Plan." The relevant portion of that guidance is enclosed. The full document is available on the NRC's document system, ADAMS, Accession No. ML003761169.

ENCLOSURE 2

EXCERPT OF NUREG-1727
(PAGES 601 THROUGH 622)

ACCESSION NO.: ML003761169