



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

May 13, 2002

ICF, Incorporated
ATTN.: Ms. Lisa Dennison
9300 Lee Highway
Fairfax, Virginia 22031

Dear Ms. Dennison:

SUBJECT: TASK ORDER NO. 6 "COST ESTIMATE TASKS FOR FANSTEEL, INC.
MUSKOGEE SITE" UNDER CONTRACT NO. NRC-02-00-001

Dear Ms. Dennison:

In accordance with the task order procedures of the subject contract, this letter definitizes Task Order No. 6. This effort shall be performed in accordance with the enclosed Statement of Work and the Contractor's technical proposal dated March 29, 2002. Task Order No. 6 shall be in effect from April 26, 2002 through September 23, 2002, with a cost ceiling of \$148,953.00. The amount \$136,654.00 represents the total estimated reimbursable costs, and the amount \$12,299.00 represents the fixed fee for this task order.

The amount obligated on this task order document is \$148,953.00. Of this amount \$136,654.00 represents the estimated reimbursable costs and \$12,299.00 represents the fixed fee. The obligated amount shall, at no time, exceed the task order ceiling. When and if the amount(s) paid and payable to the Contractor hereunder shall equal the obligated amount, the Contractor shall not be obligated to continue performance of the work unless and until the Contracting Officer shall increase the amount obligated with respect to this task order. Any work undertaken by the Contractor in excess of the obligated amount specified above is done so at the Contractor's sole risk.

Accounting data for this task order is as follows:

B&R No.:	25015303260
Job Code No.:	J5305
BOC:	252A
APPN No.:	31X0200
FFS No. :	5002R064
Obligated:	\$148,953.00

The following individuals are considered essential to the successful performance of the work hereunder: [REDACTED]
Archibald, [REDACTED]

NRC-02-00-001 - Task Order No. 6

The Contractor agrees that such personnel shall not be removed from the effort under the task order without compliance with Contract Clause H.5, Key Personnel.

Your contacts during the course of this task are:

Technical Matters: Thomas Fredrichs, Technical Monitor
(301) 415-5971

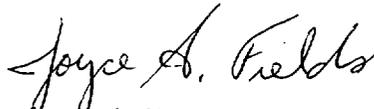
Edna Knox-Davin, Project Officer
(301) 415-6577

Contractual Matters: Joyce Fields, Contracting Officer
(301) 415-6564

The issuance of this task order does not amend any terms or conditions of the subject contract.

Please indicate your acceptance of this task order by having an official, authorized to bind your organization, execute three (3) copies of this document in the space provided below and return two (2) copies to the U.S. Nuclear Regulatory Commission, ATTN: Ms. Joyce Fields, Division of Contracts and Property Management, T-712, ADM/DCPM/CMB2, Washington, D.C. 20555. You should retain the third copy for your records.

Sincerely,



Joyce A. Fields, Contracting Officer
Contract Management Branch No. 2
Division of Contracts and
Property
Office of Administration

Enclosure:
As stated

ACCEPTED:

Paul C. Bauley
NAME
Sr. Vice President
TITLE
5/15/02
DATE

STATEMENT OF WORK

PROJECT TITLE: COST ESTIMATE TASKS FOR FANSTEEL, INC.
MUSKOGEE SITE
NRC TECHNICAL MONITOR: Thomas Fredrichs (301-415-5971)
NRC PROJECT OFFICER: Edna Knox-Davin (301-415-6577)
NRC CONTRACT NO.: NRC-02-00-001
TASK ORDER NO.: Six (6)
JOB CONTROL NUMBER: J5305

1.0 Background

Fansteel, Inc. filed a petition for bankruptcy on January 15, 2002. The filing was the result of a decision to discontinue operation of a reprocessing plant at the licensee's Muskogee, Oklahoma facility, which was intended to reprocess radioactive residues containing valuable metals. The sale of the valuable metals was intended to fund the remediation of the Muskogee site for eventual license termination. In September 2001, the licensee indefinitely ceased operation of the reprocessing plant because it was uneconomic. As a result, the licensee wrote off the investment it made in the reprocessing plant equipment, and recognized a large liability for reasonably anticipated costs of remediation of the Muskogee site.

Fansteel's previous decommissioning cost estimate was \$4.5 million, based on the assumption that contaminated soils at the site would be placed in an onsite containment cell, and the license would be terminated under restricted use criteria. The previous estimate also assumed that certain decommissioning costs, such as groundwater remediation, would be paid for with revenues earned from the sale of valuable metals recovered from residues at the site.

Fansteel, Inc. now estimates the remediation will cost approximately \$57 million to meet the requirements for unrestricted release of the site, and has not offset the costs with any projected revenues from reprocessing onsite residues. However, Fansteel has not submitted a detailed cost estimate to the NRC in support of its estimate.

The bankruptcy proceeding may be significantly affected by the size of Fansteel's liability for cleanup of its Muskogee facility. Therefore, it is necessary for the NRC to obtain an independent estimate of decommissioning costs to adequately assure that funds will be available when needed for decommissioning.

2.0 Objective

The objective of this task is to provide a decommissioning cost analysis and unrestricted and restricted release cost estimates for Fansteel's Muskogee site.

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3.0 Technical Qualifications Required

To perform the tasks described in Section 6, expertise is required in the following areas: Environmental Science, Hydrology, Geochemistry, Health Physics, Decommissioning, Engineering, and Cost Estimating.

4.0 Level of Effort

The estimated level of effort for this task order is approximately 0.7 FTE.

5.0 Period of Performance

The period of performance for this task shall begin on the date of execution of the task order and shall continue for approximately 18 weeks (planned execution date April 8, 2002).

6.0 Scope of Work

Subtask 1: Characterization Review

The contractor shall become familiar with available characterization data provided by NRC for the Muskogee site, and shall extract the data required for conducting the cost estimates. For areas of the site where there is an inadequate amount of data (e.g. subsurface in some locations and possibly groundwater), the contractor shall identify data uncertainties and the significance that these uncertainties could have on cost estimate tasks.

A report shall be prepared summarizing the data available for the cost estimate and identifying where characterization data, required to develop a cost estimate acceptable under the criteria of NUREG-1727, is lacking. The contractor shall develop and document assumptions for use in cost estimation tasks for areas/mediums for which characterization data is inadequate. A cost estimate for conducting the additional characterization needed, if any, shall also be developed and documented in the report to NRC.

The contractor shall evaluate the assumptions made by the licensee regarding the cost and length of time that groundwater remediation work may be required.

This report and particularly the assumptions will be reviewed by NRC technical staff. Before proceeding to Subtasks 2-4, the contractor shall meet with NRC staff to resolve any differing opinions on these characterization assumptions.

Subtask 2: Evaluate the Licensee's Cost Estimate for Unrestricted Release

The contractor shall review the licensee's decommissioning cost estimates as contained in Fansteel's August 1999 Decommissioning Plan (DP). Fansteel provided cost estimates for both restricted and unrestricted release scenarios. The contractor shall

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staff has reviewed and approved the design assumptions, the contractor shall develop a cost estimate for restricted release of the Muskogee site. This estimate shall not contain cost offsets from sale of recovered valuable metals or other revenues.

As with the unrestricted estimate, the contractor shall develop a report which gives a best estimate for the cost of implementing restricted release at the site. This report shall document the basis (including assumptions) of the cost estimate, and shall also address the uncertainty of the estimate. The report shall expand on the report in task 1 by explaining where the additional characterization work (identified in Task 1) would help refine the cost estimate. Specifically, areas shall be identified where minor (i.e. inexpensive) characterization work could best improve the estimates by limiting the margin of error.

It is possible that the licensee will be limited in the level of effort it can devote to the decommissioning project due to cash flow constraints. Therefore, the report shall consider how the total cost may change if the decommissioning is carried out over a relatively long period of time. The base case shall be a project that is completed in two years. The report shall also consider the cost of the project if it is completed in 10 years and in 20 years.

7.0 Meetings and Travel

At least four meetings with NRC technical staff will be required during the period of performance (a kick-off meeting, a meeting following Subtask 1, a meeting after developing the assumptions for Subtask 4, and a meeting transmitting the results of Subtasks 2 through 4).

A minimum of one, one-day, two-person trip to the Muskogee site (site visit) will also be required. This site visit shall be conducted during the performance of Subtask 1. All site visits shall be coordinated with the Decommissioning and Laboratory Branch in Region VI.

8.0 NRC Furnished Material

NRC will provide a copy of all relevant characterization documents for the Muskogee site. In addition, NRC will provide a list of relevant documents for review under Subtask 4.

9.0 Schedule for Deliverables

The following is a schedule for submission of the reports:

<u>REPORT TITLE</u>	<u>CALENDER TIME TO PREPARE</u>
Subtask 1 "Characterization Review and Assumptions"	6 wks following receipt of documents
Subtask 1 "Site Visit Report"	2 wks following site visit

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