

October 22, 2002

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

SUBJECT: RESPONSE TO FANSTEEL'S LICENSE RENEWAL APPLICATION AND
LETTER OF JUNE 25, 2002, CONCERNING FINANCIAL ASSURANCE
INFORMATION

Dear Mr. Tessitore:

By application dated August 27, 2002, Fansteel requested that its operating license be renewed. In the application, Fansteel referred to its letter of June 25, 2002, as the basis for financial assurance. This response addresses both of these letters.

On June 25, 2002, pursuant to License Condition 21 (LC 21) of NRC license SMB-911 and 10 CFR 40.36 (d), Fansteel submitted a letter to provide a periodic update to information addressing the cost of decommissioning, and financial assurance in the amount of its cost estimate for that activity. That letter stated ". . . Fansteel is not currently in a position to provide the financial assurance required by the applicable regulation," and that your status as a debtor-in-possession hampers your ability to provide information about the financial assurance that NRC requires Fansteel to provide. Your letter also requests that the NRC postpone its request for further information as well as consideration of financial assurance, until December 20, 2002, and that, if necessary, we treat your letter as a request for an exemption from these requirements.

We have reviewed your June letter and conclude that it does not provide an adequate response to the requirements of LC 21 or 10 CFR 40.36 because it does not provide information supporting Fansteel's decommissioning costs, nor does it provide financial assurance by an approved method. Your response does raise concerns, however, which an exemption from LC 21 and regulations in 10 CFR 40.36 would not resolve. These include Fansteel's continued failure to provide the information concerning the basis for your decommissioning estimates required by your license which is particularly significant in light of the substantial disparity between your current surety of \$4.5 million and your anticipated surety costs of approximately \$57 million.

Consequently, because Fansteel has not provided the financial assurance required by 10 CFR 40.36(d) and its license, the request for license renewal is denied. In accordance with 10 CFR 20.103(b), Fansteel has the right to demand a hearing within twenty (20) days of the date of this letter.

Mr. Tessitore

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In accordance with 10 CFR 40.42(c), activities at the Muskogee, Oklahoma site are hereby limited to those directly related to decommissioning and maintaining control of the site and licensed materials. All other conditions of the license remain in effect until NRC terminates the license. Accordingly, you are required to proceed with decommissioning in accordance with 10 CFR 40.42(d).

We would like to meet with you to discuss your plans to decommission your facility without further complication or delay. Please contact Mr. James Shepherd, of my staff, at 301-415-6712 or jcs2@nrc.gov, so that we can arrange a meeting between Fansteel, NRC staff and our DOJ representatives in the bankruptcy to discuss this matter further.

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

Mr. Tessitore

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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

TAC# L60555 ADAMS: ML022060356 Package: ML022060349
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OFC	DCB:		DCB:		DCB:		RIV		DCB:	
NAME	JShepherd		CBurkhalter		TFredrichs		DSpitzberg		CCraig	
DATE	10/15/02		10/15/02		10/15/02		10/15/02		10/22/02	

OFC	OGC		DCB			
NAME	MSchwartz		LCamper			
DATE	10/21/02		10/22/02			

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