

Gary L. Tessitore
Chairman, President and
Chief Executive Officer



July 25, 2003

Daniel M. Gillen, Chief
Decommissioning Branch
Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Mail Stop T-7F27
Washington, DC 20555-0001

Re: Docket No. 40-7580, License No. SMB-911
Periodic Submission of Decommissioning Cost Estimate

Dear Mr. Gillen:

License Condition 21 of Fansteel Inc.'s ("Fansteel") Nuclear Regulatory Commission ("NRC") License Number SMB-911 provides that Fansteel shall review its decommissioning cost estimate by June 25, 2002, and thereafter at intervals not to exceed 13 months. At the time of the review, Fansteel is directed to update financial instruments to assure the cost estimates if the amount increases by more than 1 percent. Fansteel herein provides its periodic update.

On January 14, 2003, Fansteel submitted a proposed Decommissioning Plan ("DP") which included a decommissioning cost estimate of \$41.6 million, inclusive of the cost of groundwater remediation and monitoring. Additional financial information was submitted as proprietary information on May 9, 2003. As you know, Fansteel withdrew this DP on June 26, 2003; such withdrawal was acknowledged by the NRC Staff by letter dated July 8, 2003. Thereafter, on July 24, 2003, Fansteel re-submitted the DP in conjunction with several associated requests for licensing action. This submission included information, consistent with Fansteel's proposed Plan of Reorganization currently pending before the U.S. Bankruptcy Court for the District of Delaware, pertaining to Fansteel's proposed decommissioning funding assurance mechanism. The cost estimate has not changed since the DP was originally submitted on January 14. Accordingly, the decommissioning cost estimate set forth in the January 14 DP continues to be Fansteel's cost estimate.

Pursuant to 10 C.F.R. § 40.36, financial assurance for decommissioning is required by one or more of the methods enumerated in subsection (e) thereto. As the NRC is

One Tantalum Place • North Chicago, IL 60064 • (847) 689-4900 Ext.220 • Fax: (847) 689-0307 • gtestitore@fansteel.com

Daniel M. Gillen, Chief
July 25, 2003
Page 2



aware, since Fansteel's filing for relief under Chapter 11 of the U.S. Bankruptcy Code, Fansteel has had no ability to provide the required financial assurance in the manner contemplated by NRC regulations. The decommissioning funding mechanism proposed in the DP, as supplemented, is not one of the mechanisms provided for in Section 40.36(e). Accordingly, also on July 24, 2003, Fansteel requested an exemption from the requirements of Section 40.36. The exemption request is currently pending before the NRC Staff.

If you have any questions about this submission, please contact me at (847) 689-4900, extension 220.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary L. Tessitore". The signature is stylized and somewhat cursive, with a long horizontal stroke extending to the right.

Gary L. Tessitore

cc: James C. Shepherd, NRC/NMSS
NRC Document Control Desk
Maria E. Schwartz, Esq., NRC/OGC
Richard Gladstein, Esq., DOJ
Alan Tenenbaum, Esq., DOJ
Jeffrey S. Sabin, Esq., Schulte Roth & Zabel LLP
James R. Curtiss, Esq., Winston & Strawn LLP