



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

April 7, 2003

Mr. Duane W. Schmidt
High Level Waste and Performance Assessment Branch
U.S. Nuclear Regulatory Commission - Mail Stop T-7F27
Washington, DC 20555-0001

Dear Mr. Schmidt:

Kerr-McGee commends the Office of Nuclear Material Safety and Safeguards for developing a guidance document regarding financial assurance and recordkeeping during the decommissioning process, as found in NUREG 1757 vol. 3. The Company appreciates the opportunity to provide the attached comments addressing this important issue.

Kerr-McGee is currently engaged in oil and gas exploration and titanium dioxide pigment manufacturing in the United States and worldwide. As a result of certain former operations, Kerr-McGee and/or its affiliates hold licenses from the NRC for low level material at sites which are being decommissioned.

Kerr-McGee Shared Services Company, LLC, a wholly owned subsidiary of Kerr-McGee Corporation, assists with the decommissioning of these low level sites. It is important in the management of the Company's assets that costs for decommissioning activities are correctly and appropriately estimated and reported. It is this issue to which our comments are directed.

After you have reviewed our attached comments please call me at (405) 270-3188 if you have questions or comments.

Regards,

A handwritten signature in black ink that reads "Charles Schlittler".

Charles Schlittler
Kerr-McGee Shared Services Company, LLC
Safety and Environmental Affairs Division

COMMENTS OF KERR-McGEE SHARED SERVICES COMPANY, LLC
ON NRC'S OFFICE of NUCLEAR MATERIAL SAFETY SAFEGUARDS CONSOLIDATED
DECOMMISSIONING GUIDANCE: FINANCIAL ASSURANCE RECORDKEEPING and
TIMELINESS (NUREG-1757, Vol. 3)

Notice at 68 Federal Register 1487

(January 10, 2003)

Comments on Document

April 7, 2003

Charles Schlittler, PE
Kerr-McGee Shared Services Company, LLC
P.O. Box 25861
Oklahoma City, OK 73125

INTRODUCTION

Kerr-McGee Shared Services Company, LLC, ("Kerr-McGee") submits these comments on NRC's proposed "Consolidated Decommissioning Guidance: Financial Assurance Recordkeeping And Timeliness (Nureg-1757, Vol. 3)" ("Guidance") noticed at 68 Federal Register 1487 (January 10, 2003). These comments address the following concepts related to the Guidance:

- The Guidance contains internal inconsistencies between the categories of costs for which cost estimates must be developed and the level of detail required to support those estimates.
- The Guidance contains inconsistencies regarding financial tests for Parent Company Guarantees and for Self Guarantees.

DISCUSSION

Reasonable Decommissioning Costs – Appendix A of the Guidance lists five elements to consider when developing a decommissioning cost estimate. Elements numbers two and three are presented below:

- ✓ *Costs will be incurred to decontaminate some areas where contamination is **possible but uncertain** [Emphasis added] (e.g., areas that were contaminated in the past and that are cleaned up only periodically).*

- ✓ *Costs will be incurred for some cleanup of minor or cumulative spills that **might have gone undetected** [Emphasis added] under routine facility conditions before decommissioning.*

The Guidance provides that licensees should develop their estimates using Tables A-3 through A-18 at the end of Appendix A. The “*possible but uncertain*” and “*might have gone undetected*” categories, however, implicitly recognize that licensees frequently do not possess an adequate understanding of a site for generation of cost estimates with the level of detail contemplated by tables A-3 through A-18. This is particularly true for the “possible but uncertain” and “might have gone undetected” categories referenced in the Guidance. By definition, a licensee cannot develop cost estimates, either reasonable or otherwise, for such speculative categories of costs because the licensee, by definition, does not know whether the circumstances contemplated by those speculative categories even exist.

Kerr-McGee believes that the possibility of the existence of the speculative “possible but uncertain” and “might have gone undetected” categories should be addressed, if at all by the 25% contingency factor contemplated by the Guidance. It simply is impracticable to prepare engineering cost estimates for hypothetical decommissioning scenarios covering situations that may not even exist, and we request that NRC eliminate the requirement to develop estimates for the “possible but uncertain” and “might have gone undetected” cost categories contemplated by the Guidance.

Financial Tests for Guarantees – Appendix A (P. A-109) provides test criteria for Parent Company Guarantee compliance, as shown below:

“Financial Test II

The parent company must have the following:

- (i) *A current rating for its most recent bond issuance of AAA, AA, A, or BBB as issued by Standard & Poor’s, or Aaa, Aa, A, or Baa as issued by Moody’s; and.....”*

However, parenthetically under Financial Test II, guidance indicates the following:

*“(Note that the ratings of BBB by S&P and Baa3 by Moody’s are **not** [Emphasis added] sufficient to pass the parent company guarantee financial test because they are below the BBB and Baa ratings required under 10 CFR Part 30, Appendix A.)”*

These two statements are contradictory. Further, it appears that 10 CFR Part 30 (Appendix A) supports the criteria in “Financial Test II” and not the parenthetical contradiction.

A similar situation occurs under the “Self Guarantee” section –Appendix A; Page A-126:

“Financial Test for Commercial Companies that Issue Bonds

The licensee must have the following:

A current rating for its most recent bond issuance of AAA, AA, or A as issued by Standard & Poor's, or Aaa, Aa, or A as issued by Moody's."

And:

"(Note that ratings of A1 by S&P and A3 by Moody's are not sufficient to pass the self-guarantee financial test because they are below the A rating required under 10 CFR Part 30, Appendix C.)"

The parenthetical statements on pages A-109 and A-126 (shown above) are inconsistent with the main text and should be eliminated. The main text properly recognizes that the ratings of BBB- for Standard and Poor's and Baa3 for Moody's should be considered sufficient for both Parent Company guarantee and Self-Guarantees since these ratings are "investment grade." Companies that rated investment grade are broadly recognized as having sufficient resources and resiliency to meet their obligations and withstand periods of deteriorating economic and market conditions.