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Docket 70-36
License SNM-33

Mr. J. A. Rode, Plant Manager
Hematite Nuclear Fuel Manufacturing
Combustion Engineering, Inc.
P.O. Box 107
Hematite, MO 63047

Dear Mr. Rode:

SUBJECT: DECOMMISSIONING FUNDING PLAN (TAC L21637)

This refers to your letter dated May 28, 1993, which transmitted your decommissioning funding plan. We have reviewed your plan and identified additional information that is needed before final action can be taken. This additional information specified in the enclosure, should be provided within 30 days of the date of this letter.

Please include the above TAC No. in future correspondence related to this subject.

If you have any questions regarding this matter, please contact me at (301) 504-2604.

Sincerely,

Original Signed By:

Sean Soong
Licensing Section 2
Licensing Branch
Division of Fuel Cycle Safety
and Safeguards, NMSS

Enclosure: As stated

cc w/encls:
Mr. J. F. Conant, Manager
Nuclear Materials Licensing

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Request for Additional Information
Letter Dated May 28, 1993
Combustion Engineering, Inc.
Docket 70-36

Combustion Engineering Inc., submitted a decommissioning funding plan (DFP) in the amount of $10,000,000, including a rider to the licensee's previously-submitted surety bond raising the penal sum to $10,000,000. The submittal assures decommissioning for License SNM-33 (Hematite facility) issued under 10 CFR Part 70. CE should modify the submittal as follows:

(1) Submit additional detail to support the cost estimate (*Regulatory Guide 3.66*, Appendix F);

(2) Submit evidence that the parties signing the surety bond, rider, and standby trust agreement for the licensee are authorized to represent the company *(Regulatory Guide 3.66*, pages 3-14 and 3-17); and

(3) Revise Schedule A of the standby trust agreement to specify the amount of the cost estimate (*Regulatory Guide 3.66*, page 4-26).

These modifications are discussed below.

(1) Submit additional detail to support the cost estimate (*Regulatory Guide 3.66*, Appendix F)

Although CE provided fairly detailed information in its cost estimate, you did not provide adequate information to support the estimate of decommissioning costs. Your cost estimate states:

> In generating the cost estimate provided in the following sections, plant buildings were broken down into separate areas or rooms. The volume and/or dimensions of equipment, structures, and materials within those areas and rooms were physically measured. These measurements were used to estimate the volume of low-level waste that can be expected from decommissioning. The same measurements were used to estimate the duration of dismantling and decommissioning operations that will be required to complete decommissioning. The estimates take into account waste reduction operations that will be undertaken during decommissioning.

The cost estimate does not, however, indicate the dimensions of the equipment, structures, and materials. Also, the cost estimate does not describe the methodology used to estimate the duration of dismantling and decommissioning operations or the volume of low-level waste that will be generated from the facility dimensions.

To allow for adequate evaluation of the estimate, CE should submit information on the dimensions of the equipment, structures, and materials at the facility, as well as the methodology used to estimate the duration of decommissioning and waste generation. CE should also use or adapt the "Cost Estimating Tables" in Appendix F of *Regulatory Guide 3.66*, "Standard Format and Content of Financial Assurance Mechanisms Required for Decommissioning Under 10 CFR Parts 30, 40, 70, and 72," June 1990.

(2) Submit evidence that the parties signing the surety bond, rider, and standby trust agreement for the licensee are authorized to represent the company *(Regulatory Guide 3.66*, pages 3-14 and 3-17)

The submittal does not include evidence indicating that the parties signing the financial mechanisms for the licensee are authorized to represent the licensee in the agreements, as recommended in *Regulatory Guide 3.66*, pages 3-14 and 3-17. The power of attorney included in the submission provides evidence only that the party signing for the surety is authorized to represent the surety. Evidence of authority to represent the licensee is necessary to ensure the validity and enforceability of the mechanism. CE should submit a copy of the corporate by-laws or other evidence indicating that the parties signing the surety bond, the rider to the surety bond, and the standby trust agreement for the licensee are authorized to do so.

(3) Revise Schedule A of the standby trust agreement to specify the amount of the cost estimate (*Regulatory Guide 3.66*, page 4-26)

CE's submittal does not modify the standby trust agreement included in the licensee's submission dated July 19, 1990. Section 2 of that standby trust agreement states that "This Agreement pertains to the costs of decommissioning . . . as shown in Schedule A." CE, however, used a copy of its NRC materials license as Schedule A of the standby trust agreement. Consequently, the submitted schedule does not indicate the applicable financial assurance amount for the facilities covered by the mechanism. Specification in Schedule A of the estimated costs of decommissioning is important to allow the trustee to properly administer the conditions and requirements of the agreement; for example, the amount of the cost estimate can be critical to determining whether a particular withdrawal should be allowed.

Although the surety bond rider states that the amount of the bond is increased to $10,000,000, Schedule A to the standby trust agreement has not been revised or resubmitted in the current submittal to indicate the amount of funds the standby trust assures for this license. CE should modify Schedule A to the standby trust agreement to include the amount of the cost estimate, as recommended in *Regulatory Guide 3.66*, page 4-26.