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April 12, 2006

Mr. John Kinneman, Chief
Materials Security and Industrial Branch
Division of Nuclear Materials Safety
U. S. Nuclear Regulatory Commission, Region I
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M/S 16

P-3

137859

Reference: Mail Control Number 137860, Docket numbers 03034162 and 03022307
Financial Surety Cost Estimate, Material License Numbers 29-30308-01 (Rockaway) and
29-20900-01 (Salem)

Dear Mr. Kinneman:

In response to your letter dated March 30, 2006, the following discussion addresses the points raised:

1. Only the supplier handling fee, which was verified with MDS Nordion as still being current, was used from NUREG/CR-6280. All other cost estimates provided are based on current costs as incurred by Sterigenics.
2. The cost estimates as provided did not account for any salvage or resale value of the sources above the economic viability threshold, which was defined in my letter as 1,500 Ci. Instead, the proposal was only to avoid having to pay the supplier handling fee (i.e., disposal fee) for sources that would not be shipped for disposal, but would be recycled into the market place. Note that there is no monetary value assigned to the sources, only the avoidance of the disposal fee.

This proposal for avoiding the disposal fee was the subject of a meeting between the Gamma Industry Processing Alliance (GIPA) and the NRC on November 17, 2005. Members of GIPA, including representatives from the two irradiator source manufacturers and the companies that represent the majority of gamma irradiators in the United States, proposed this methodology for estimating decommissioning costs. The representatives from the NRC (coordinated by Thomas Fredrichs) did not approve nor disapprove of the plan at that time. I would appreciate your following up with the NRC representatives from that meeting and verify that this GIPA proposal has been rejected. If it has been denied, Sterigenics will follow the directions contained in your letter and revise the cost estimate for decommissioning.

As additional information, the state of Illinois financial assurance regulations were revised some years ago to require site-specific cost estimates in the same way as the current NRC regulations. Sterigenics negotiated an agreement with the state to accept a proposal for not paying the disposal fee for higher activity sources, which was supported by a letter from the source manufacturer. If such documentation would allow the NRC to authorize exclusion of the disposal fee for higher activity sources, it can be obtained.

3. The contingency will be adjusted to 25% in the revised cost estimate. I apologize for the error.

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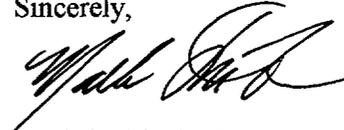
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4. The cost of providing security was overlooked in preparing the cost estimate. The company's experience has shown that security costs during source loadings has proven to be minimal, but the amounts will be added to the cost estimate.
5. The strontium-90 sources were sent for disposal in October 2004 and are no longer at the Rockaway facility. The license was not amended to remove those items at that time, but an amendment request will be submitted in order to clarify the financial surety requirements for the facility.

I will begin the process of revising the cost estimates for these two facilities as noted in your letter. However, I would appreciate definitive resolution of the one remaining question on item #2 above before finalizing the cost estimates and preparing the applicable financial surety instrument. Please let me know if you need additional information.

Sincerely,



Mark Smith, CHP
Vice-President, Radiation Services

cc: J. LaNovara
S. Yap
W. Nelson