UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON D.C. 20555-0001

July 2, 1993

Docket No. 40-8027
License No. SUB-1010

Sequoyah Fuels Corporation
ATTN: Mr. John Ellis, President
P.O. Box 610
Gore, Oklahoma 74435

General Atomics
ATTN: Mr. J. Neal Blue, President
and Chief Executive Officer
P.O. Box 85608
San Diego, California 92186-9784

Gentlemen:

We have reviewed the information that you provided in response to our December 29, 1992, Demand for Information (DFI). By the Demand for Information dated December 29, 1992, Sequoyah Fuels Corporation (SFC) and General Atomics (GA) were required to submit a plan and schedule for decontamination and decommissioning the SFC facility for release for unrestricted use, and a decommissioning funding plan satisfying the requirements of 10 C.F.R. § 40.36. On February 16, 1993, SFC and GA submitted certain plans to the NRC staff. In response to requests of the NRC staff, further documents were supplied on April 7, 1993. Upon review of the materials submitted to date, the NRC staff concludes that NRC review of the documentation identified in, but not submitted as part of the response by GA and SFC, is required to determine whether SFC and GA will be able to satisfy their obligations to provide funding for the ultimate decommissioning of the SFC facility, and whether the health and safety of the public will be protected. Accordingly, pursuant to Sections 161c, 161o, 182, and 186 of the Atomic Energy Act, and the Commission's regulations in 10 C.F.R. §§ 2.204 and 40.31(b), you are required to submit by the close of business on July 12, 1993, the information demanded in the enclosed Supplement to the DFI.

The Supplement to the DFI does not preclude further action against SFC and GA if determined necessary to ensure compliance with regulatory requirements and protection of the public health and safety. In accordance with Section 2.790

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of the NRC's "Rule of Practice," Part 2, Title 10, Code of Federal regulations, a copy of this letter will be placed in the NRC Public Document Room.

Sincerely

Robert M. Bernero, Director
Office of Nuclear Material Safety
and Safeguards

Enclosure: As stated

OFC	LLDR		LLDR		LLWM		LLWM		NMSS		OGC		
NAME	LBELL/CV		JAUSTIN		BBRACH		RBANGART		GARLOTTO		LJ CHANDLER		
DATE											7/2/93		
OFC													
NAME													
DATE													

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Additional Financial Information Required

NRC will require the following kinds of additional financial information to accurately assess the financial ability of SFC to meet its decommissioning obligations:

1. What is the basis for anticipating a 50 percent increase in sales between 1993 and 1994? This projection does not appear to be supported by domestic or world market projections for nuclear fuel. Does there exist contracts involving one or both partners or any additional data to support this expectation?

2. The financial projections for ConverDyn indicate a steady decline in sales to SFC and ASI and a concomitant increase in sales to new contracts, suggesting that both partners' contracts with customers to sell nuclear fuel are expiring. Do these expiring contracts get automatically rolled over into new contracts for ConverDyn? Is there any evidence supporting the fact that these new contracts get automatically rolled over? If existing contracts are not getting rolled over, do there exist contracts involving ConverDyn, or any other data, to support the growth in new contracts?

3. What is the reason for the decrease in unit costs of conversion? Are there economies of scale involved? In other words, are there fixed assets used in the production process that cost the same irrespective of the volume, thereby explaining the decrease in unit costs of conversion as volume expands? What explains the decrease in unit costs of conversion beyond 1994 when volume has ceased to increase?

4. Schedule B of the SFC Standby Agreement states that standby fees will be lesser of the three amounts, one of them being 100 percent of the Partnership cash available to pay standby fee. How is it that SFC receives a standby fee in 1993 despite the projected loss for that year? Is there any information on cash available up-front that may have been contributed by each partner that enables SFC to receive a standby fee in a year with a projected loss? If not, is there any other documentation that may explain the payment of a standby fee to SFC in a year of loss for the Partnership?

5. The financial projections for ConverDyn assume no growth in selling and administrative costs despite the growth in total sales and growth in sales from new contracts. Is there any documentation that provides for a fixed payment to each partner for these cos's despite any growth in sales or new contracts?

6. The payments of standby fees and additional standby fees to SFC do no appear to be entirely consistent with the correspond to payment priorities from "Available cash" that are stated in the legal documentation. Can we obtain a cross-walk between the legal documentation and the financial projections that explains the

pattern of payments in the financial projections, such as the following:

-- Calculation of standby fees to SFC

-- Are rollover standby fees not collected by SFC in prior periods paid to them in later periods?

-- Payment of Additional Standby Fee if rollover standby fees are not paid (the legal documentation indicates that this additional fee has a lower payment priority than rollover standby fees)

-- Breakdown of payments made to ASI (to help verify the fees that SFC can expect to receive from the partnership)