

MEMORANDUM FOR: Th hairman
 Commissioner Rogers
 Commissioner Curtiss
 Commissioner Remick
 Commissioner de Planque

3/22/93

40-8027 (65)
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FROM: James M. Taylor
 Executive Director for Operations

SUBJECT: STATUS OF SEQUOYAH FUELS CORPORATION

On February 16, 1993, Sequoyah Fuels Corporation (SFC) provided notification pursuant to 10 C.F.R. 40.42(b) of its decision to terminate activities involving materials authorized under License No. SUB-1010, effective July 31, 1993, or earlier. SFC is proceeding with the decommissioning of the uranium hexafluoride facility; uranium tetrafluoride production will continue until the current contractual obligations are met on July 31, 1993, or earlier. All staff renewal effort has been suspended and staff effort will now be directed toward the goal of decommissioning the site. The staff is working with the Environmental Protection Agency to develop a site-specific Memorandum of Understanding for the SFC site.

On February 16, 1993, General Atomics (GA) and SFC responded separately to the staff's Demand for Information. The Demand required SFC and GA to provide a decommissioning plan and a decommissioning funding plan. The staff is currently evaluating those responses.

The enclosure summarizes the status of various matters concerning SFC.

James M. Taylor
 Executive Director
 for Operations
 Original signed by James H. Sniezek for

Enclosure: Status of Sequoyah Fuels Corporation

cc: OGC
 SECY
 OCA
 OPA

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EKraus 3/05/93 *see previous concurrence [G:\NMS92258.MH]

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DATE	3/10/93	3/10/93	3/11/93	3/11/93
OFC	OGC:*	FCLB:*	DD:FCSS:*	D:FCSS*
NAME		EAdensam:	JGreeves:	RBurnett:
DATE	3/17/93	3/17/93	3/18/93	3/18/93
OFC	DD:NMSS:*	D:NMSS:*	DEDS:	EDD:
NAME	GArlotto:	RBernero:	HThompson:	JTaylor:
DATE	3/21/93	3/22/93	3/15/93	3/19/93

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STATUS OF SEQUOYAH FUELS CORPORATION

The following summary provides the status of various matters concerning Sequoyah Fuels Corporation (SFC).

The status of the SFC facility has changed considerably over the last year. After a shutdown that began October 3, 1991, the staff authorized a phased restart of the Sequoyah facility on April 16, 1992. With the restart of the facility, the staff began to focus on SFC's license renewal application and some of the General Atomics (GA) and SFC commitments to ensure continued safe operation and adequate financing. On September 30, 1992, SFC submitted a revised renewal application; the revised application did not contain a revised decommissioning funding plan.

The staff's contractor for the environmental aspects of the renewal had already begun the review before the submittal of the revised license application. On June 18-19, 1992, the staff met with SFC to discuss the additional information that was needed for completion of the environmental review. The staff planned to complete the environmental review in March 1993 and complete the safety review by the end of 1993. After the reviews were complete, the Atomic Safety and Licensing Board would proceed with the hearing on the license renewal.

The staff was also pursuing the GA commitment, made at the March 17, 1992, Commission meeting, to guarantee decommissioning funding in accordance with the March 27, 1992, Staff Requirements Memorandum. In a May 6, 1992, letter, the staff requested that GA formalize the financial commitments contained in a March 19, 1992, letter to the Chairman. On June 24, 1992, SFC submitted a copy of a draft Agreement that was to be presented to both SFC's and GA's Boards. This Agreement was never executed.

After restart in April 1992, SFC was progressing toward implementing its commitments and finishing the procedure reviews required by the October 3, 1991, Order. During October 13-23, 1992, Region IV conducted a team inspection to assess SFC's completion of procedure revisions scheduled for the post-restart period, in accordance with the October 3, 1991, Order. The team concluded that SFC had satisfactorily completed its commitments and had made progress in implementing the objectives described in SFC's long-term improvement program. Senior managers had demonstrated a commitment to achieving SFC's objectives for improving management controls. The team did conclude, however, that SFC was still in the initial stages of implementing improvements and needed to continue its initiatives.

On November 6, 1992, the Environmental Protection Agency (EPA) issued SFC a draft Administrative Order on Consent, pursuant to the provisions of Section 3008(h) of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act and the Hazardous Solid Waste Act. The draft Order would require that SFC take actions to assess the extent of site contamination by hazardous materials, to mitigate further spread of the contamination, and to begin remediation of the site. The draft Order would also require that SFC establish an escrow account, in the amount of \$5,000,000, within 10 days of the effective date of the Order, to ensure that required corrective actions are successfully completed. EPA and SFC are currently negotiating the Order.

On November 17, 1992, an event occurred at SFC, involving an offsite release of nitrogen oxides. The Nuclear Regulatory Commission issued a Confirmatory Action Letter on November 18, 1992, documenting SFC's commitment to delay restart of both the depleted uranium tetrafluoride and uranium hexafluoride processes until a full investigation of the event was completed and NRC concurrence on restart was received.

On November 23, 1992, SFC informed the staff that it would not resume active operation of its uranium hexafluoride production process, but instead planned to place the facility in a "standby" mode. SFC stated that it intended to restart the depleted uranium tetrafluoride facility to fulfill contractual obligations and then place the facility in a standby mode. The letter also stated that GA's March 17, 1992, guarantee for decommissioning funding was no longer applicable. In a meeting with the staff on December 1, 1992, SFC and GA reaffirmed the statements contained in the November 23, 1992, letter. SFC also indicated the need for a 60-day period to review other potential business opportunities and determine the disposition of the facility. During an open meeting with the Commission on December 21, 1992, SFC and GA discussed SFC's future plans and financial assurance resources for decontaminating and decommissioning the facility and site. On December 23, 1992, SFC received NRC concurrence for resumed operation of the depleted uranium tetrafluoride facility.

The Commission and staff remained concerned about adequate financial assurance for decommissioning of the SFC site. Therefore, on December 29, 1992, the staff issued a Demand for Information, to SFC and GA, which required SFC and GA to provide on, or before, February 16, 1993, a plan for decontaminating and decommissioning the SFC facility for release for unrestricted use and a decommissioning funding plan containing a cost estimate for decommissioning the facility and a description of the method of ensuring funds for decommissioning. GA and SFC responded separately to the Demand on February 16, 1993. The staff is currently evaluating those responses.

On February 10, 1993, SFC discussed with the staff its plans for future operations and the licensing implications of those plans. SFC stated its decision to terminate all licensed activities at the SFC site, with respect to License No. SUB-1010. SFC plans to keep its byproduct license for the environmental laboratory. SFC will proceed with decommissioning the uranium hexafluoride facility. SFC will continue to operate the depleted uranium tetrafluoride facility until current contract obligations are met (July 31, 1993, or earlier). At the completion of the contract, SFC will proceed with decommissioning the facility. On February 16, 1993, pursuant to 10 CFR 40.42(b), SFC formally notified the NRC of its decision to terminate activities involving materials authorized under License No. SUB-1010, effective July 31, 1993, or earlier, and requested termination of the license effective July 31, 1993. SFC also plans to withdraw the license renewal application as of July 31, 1993, or earlier. The Atomic Safety and Licensing Board presiding over the renewal hearing has been notified.

The staff was in the process of reviewing SFC's license renewal application. However, in view of limited staff resources and SFC's announcement, the staff has suspended all work on the license renewal. Instead, the staff will concentrate its efforts on the decommissioning efforts at the SFC site. Decommissioning aspects have already been transferred to the Division of Low-Level Waste Management and Decommissioning (LLWM); any operational aspects will be handled by the Division of Fuel Cycle Safety and Safeguards. Upon termination of the depleted uranium tetrafluoride operations, the case will be transferred to LLWM.

In the March 27, 1992, Staff Requirements Memorandum, the Commission instructed the staff to expedite completion of the environmental assessment for the renewal. The environmental review had been expedited, however, because of SFC's decision to terminate operations, the staff has suspended the review and does not plan to finish the environmental assessment for the license renewal. Materials developed for the environmental assessment will be transferred to LLWM for consideration during decommissioning of the site.

In SECY-92-132, the staff committed to provide the Commission with a summary of its past interactions with the EPA and the Occupational Safety and Health Administration (OSHA). This information is contained in the attachment. The staff will continue to coordinate with EPA, including preliminary discussions on developing a site-specific Memorandum of Understanding (MOU) for the SFC site. LLWM has the lead for these discussions.

In summary, SFC has announced the termination of licensed activities and is proceeding with decommissioning. Staff effort is directed toward the goal of decommissioning the site; all staff renewal effort has been suspended. The staff continues to work with EPA in developing an MOU for the SFC site.

Attachment: Memo LCallan to EAdensam dtd 3/5/93

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