

UNITED STATES  
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

March 12, 2001



Mr. J. William Lessig  
Plant Manager  
Honeywell International, Inc.  
P.O. Box 430  
Metropolis, IL 62960

**SUBJECT: REVIEW OF HONEYWELL'S DRAFT FINANCIAL ASSURANCE GUARANTEE  
(TAC NO. L31439)**

Dear Mr. Lessig:

This refers to your application dated November 30, 2000, requesting a review of the financial assurance documents associated with Materials License SUB-526 for indirect transfer of ownership/control of the Metropolis Works Uranium Conversion Facility.

Our review of your application has identified that additional information that is needed before a final decision can be made on the financial assurance review. The additional information, specified in the enclosure, should be provided within 30 days of the date of this letter. Please reference the above TAC No. in future correspondence related to this request.

If you have any questions regarding this matter, I can be reached on (301) 415-6267 or by e-mail at [lcf@nrc.gov](mailto:lcf@nrc.gov).

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/NRC/ADAMS/index.html> (the Public Electronic Reading Room).

Sincerely,

Leslie C. Fields, Project Manager  
Fuel Cycle Licensing Branch  
Division of Fuel Cycle Safety and Safeguards  
Office of Nuclear Material Safety and Safeguards

Docket 40-3392  
License SUB-526

Enclosure: RAI

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Docket 40-3392  
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Enclosure: RAI

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## REQUEST FOR ADDITIONAL INFORMATION

### HONEYWELL FINANCIAL ASSURANCE FOR TRANSFER OF OWNERSHIP

#### INTRODUCTION

By letter dated November 30, 2000, Honeywell International Inc. (Honeywell) submitted draft financial assurance documents in conjunction with a request for NRC consent to an indirect transfer of ownership of its license for the Metropolis Works Uranium Facility. After the transfer, the licensee will become a wholly-owned subsidiary of General Electric Company (GE). The licensee proposed to use a parent company guarantee from GE to provide financial assurance for decommissioning after the transfer takes place.

By letter dated December 22, 2000, the licensee submitted additional information identifying 10 additional NRC licenses held by Honeywell and its subsidiaries. The licensee requested NRC to include the licenses in the approval of the transfer of ownership. The December 22 letter did not contain information on the financial assurance arrangements, if any, for the additional licenses identified.

The staff reviewed the licensee's submission for conformance with applicable regulations and the regulatory guidance of NUREG-1727, *NMSS Decommissioning Standard Review Plan*. The staff's review found that the licensee should submit documentation demonstrating that a parent-subsidiary relationship exists between the guarantor and licensee. The licensee should also make several revisions to the language of the draft documents, and submit signed originals of the financial instruments required by regulation.

The licensee should also submit additional information on the financial arrangements made for the 10 additional licenses identified in its December 22, 2000 letter. License No. STB-393 is of particular interest. It was listed in the self guarantee of decommissioning costs furnished by Honeywell's predecessor, Allied Signal, but is not included in the parent company guarantee provided by GE.

#### SPECIFIC COMMENTS

**(1) Demonstrate that a Parent-Subsidiary Relationship Exists Between the Guarantor and the Licensee (NUREG-1727, Appendix F, Section 13-3)**

A parent-subsidiary relationship must exist between a guarantor and a licensee in order for the parent guarantee to be a valid method of financial assurance under NRC regulations. NUREG-1727, Appendix F, Section 13.3, states that licensees using parent company guarantees should submit evidence that the corporate parent has majority control of the licensee's voting stock.

The licensee, in its November 30, 2000, letter on page 1 states that "[u]pon completion of the merger, Honeywell will become a wholly-owned subsidiary of GE." Attachment 1 to the November 30, 2000, letter states on page 7 that "[f]ollowing the transaction, the license will continue to be held by Honeywell International Inc., a Delaware corporation. GE will directly hold a 100% ownership interest in Honeywell International, Inc." These statements, however do not provide adequate evidence that the corporate parent has majority control of the licensee's voting stock. The licensee should provide appropriate evidence, such as incorporation

agreements (i.e., copies of submissions to the appropriate State Corporation Commission), or Schedule 22 from the guarantor's SEC Form 10-K, or a certified corporate resolution that the licensee and its parent guarantor are separate and distinct corporate entities and that the parent controls a majority of the voting stock of the subsidiary.

**(2) Revise the Parent Company Guarantee (NUREG-1727, pages F118 - F121)**

The initial paragraph of the parent company guarantee (PCG) states, in the last sentence, that the guarantee is "to become effective on the date of closing of the transaction between GE and Honeywell International Inc." Although the phrase just quoted provides a guide to determining the effective date of the PCG, it does not provide the date itself. Reference to another document would be required to determine the effective date. In order to reduce the regulatory burden of maintaining additional documentation to determine the effective date of the PCG, an explicit statement of the effective date should be added. Therefore, the phrase quoted above should be deleted from the initial paragraph of the PCG and replaced with an explicit statement of the effective date. The effective date should be added at the end of the PCG, immediately above the authorized signatures, as indicated in NUREG-1727, page F121.

Recital 4, item (b)(iv), of the PCG omits the word "its" from "at least 90 percent of [its] total assets." This word should be added to ensure that the financial test document clearly refers to the assets of the corporate parent providing the guarantee.

Recital 9 of the PCG refers to 10 CFR Part 30. The correct reference to be inserted into Recital 9 is the Part(s) of Title 10 of the Code of Federal Regulations that corresponds to the regulatory requirements applicable to the site(s) whose decommissioning costs are guaranteed by the PCG. The licensee should replace the reference to Part 30 with 10 CFR Part 40, which correctly identifies the regulatory requirements applicable to the Metropolis Works. Note, if additional licenses are added to the PCG, in response to comment 4 below, the applicable Parts of 10 CFR should be added to the reference in Recital 9.

**(3) Submit a Revised Auditor's Special Report and Financial Test (NUREG-1727, pages F114 - F117)**

The parent-company guarantee for Honeywell states that the decommissioning costs under license SUB-526 are \$99,500,000. However, the draft Independent Accountant's Report included in the submission states the decommissioning amounts covered by the parent company guarantee is \$950,000 thousand (\$950,000,000). The Accountant's Report should be revised to state the correct decommissioning cost.

The financial test to which the auditor's report refers has a missing item label. This leads to inconsistency in the auditor's report. The first bullet of the auditor's special report references "Item 1.1," which does not correspond to the labeling of the line items listed in the financial test. The third bullet of the auditor's special report references "Item 2," when the reference should be to Item 5. The fourth bullet of the auditor's special report references "Item 3," when the reference should be to Item 6.

The licensee should submit a revised auditor's special report and financial test with the corrections noted above.

**(4) Provide Additional Information on Financial Assurance for Licenses Listed in the December 22, 2000 Letter**

In a letter dated December 22, 2000, the licensee listed 10 NRC licenses, in addition to License No. SUB-526 for the Metropolis Works, which are still active. However, the letter did not contain information on the financial assurance arrangements, if any, for the additional licenses identified.

Of particular interest is License No. STB-393, for a Honeywell facility located in Stratford, CT. Financial assurance for this license had been furnished by a self-guarantee provided by Honeywell's predecessor, Allied Signal. However, it is not included in the parent guarantee to be provided by GE. The licensee should identify what financial assurance arrangements it has made for License No. STB-393, and submit, as necessary, signed originals of the financial assurance instruments to the NRC.

In addition, the licensee should identify what financial assurance arrangements it has made for the other licenses listed in its December 22 letter. Where necessary, the licensee should submit signed originals of the financial assurance instruments to the NRC. Note that many licenses are administered through the NRC's Regional offices. Financial assurance instruments should be submitted to the appropriate NRC location.

END