



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
REGION I  
475 ALLENDALE ROAD  
KING OF PRUSSIA, PENNSYLVANIA 19406-1415

October 25, 2006

Docket Nos. 03020466  
03030578  
Control Nos. 137981  
137982

License Nos. 29-19769-03  
52-24994-01

Jonathan C. Young  
Sr. Manager, Radiation Safety  
STERIS Isomedix Services  
9 Appolo Drive  
Whippany, NJ 07981

SUBJECT: STERIS ISOMEDIX SERVICES, REQUEST FOR ADDITIONAL INFORMATION  
CONCERNING FINANCIAL ASSURANCE DOCUMENTS, CONTROL NOS.  
137981 AND 137982

Dear Mr. Young:

This is in reference to your electronic mail dated May 1, 2006 regarding your financial assurance for decommissioning for Nuclear Regulatory Commission License Nos. 29-19769-03 and 52-24994-01. In order to continue our review, we need the following additional information:

1. In our letter dated March 30, 2006, we informed you that you cannot take credit for salvage value in your cost estimate and that you need to prepare your cost estimate and provide financial assurance with the assumption that all radioactive material authorized by your license will be disposed. In your reply dated May 1, 2006, you indicated that the source manufacturer took back all of the sources from an irradiator facility that closed in Pennsylvania for no charge. When representatives from the irradiator industry met with the NRC on November 17, 2005 at our headquarters office, there was a discussion about salvage value. The meeting report (ADAMS Accession No. ML060130488), which is publicly available, documents the NRC's position that credit cannot be taken for the salvage value of sources. We have reviewed our policy in this area very carefully and NRC policy continues to be not to allow use of salvage value in preparing cost estimates for financial assurance. While source manufacturers will now take back sources, the primary reason for this policy is that the same forces, market or otherwise, which cause the licensee to be unable to pay for decommissioning of their facility may cause the sources to be of much lower or no value at that time. The basis for this position is discussed in the Statements of Consideration for the final rule (68FR57327 to 57337) on pages 57329 and 57330. Please revise your cost estimates for both of your facilities (Whippany, NJ and Vega Alta, PR) to account for disposal of all licensed material.
2. In your reply dated May 1, 2006, you inquired about replacing your Letter of Credit with a Parent Company Guarantee provided there is no need for a Standby Trust

J. Young  
STERIS Isomedix Services

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- Agreement and that you will set up a Trust Fund when it is time to decommission. Based on the guidance in NUREG-1757, Volume 3, this is acceptable.
3. In your reply dated May 1, 2006, you inquired about the three year basis for adjusting your financial assurance. You are correct in that 10 CFR 30.35(e) states a three year adjustment period. However, if you choose to use a Parent Company Guarantee, the parent company must annually pass one of two financial tests specified in Appendix A of 10 CFR Part 30 to demonstrate that it has adequate financial strength to provide the guarantee.
  4. Once you have recalculated your cost estimates for each facility with this information, please provide the respective financial assurance documents following the guidance in NUREG-1757, Volume 3.

Current NRC regulations and guidance are included on the NRC's website at [www.nrc.gov](http://www.nrc.gov); select **Nuclear Materials; Medical, Academic, and Industrial Uses of Nuclear Material**; then **Toolkit Index Page**. Or you may obtain these documents by contacting the Government Printing Office (GPO) toll-free at 1-888-293-6498. The GPO is open from 7:00 a.m. to 8:00 p.m. EST, Monday through Friday (except Federal holidays).

We will continue our review upon receipt of this information. Please reply to my attention at the Region I Office and refer to Mail Control Nos. 137981, and 137982. If you have any technical questions regarding this deficiency letter, please call me at (610) 337-5252.

Sincerely,

***Original signed by John D. Kinneman***

John D. Kinneman, Chief  
Materials Security and Industrial Branch  
Division of Nuclear Materials Safety

cc:

Larry Winters, Radiation Safety Officer for License No. 29-19769-03  
Arnaldo Rosado, Radiation Safety Officer for License No. 52-24994-01

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**SUNSI Review Complete: KModes**

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