

From: "Young, Jon" <Jon_Young@steris.com>
To: <KAD@nrc.gov>
Date: 05/01/2006 6:59:10 PM
Subject: STERIS Isomedix DFP Questions

Kathy:

As a follow-up to our phone conversation today, I have some questions regarding your March 30th letter.

Item 1. More a statement than a question. This issue focuses more on the integrity of both source suppliers than anything else. STERIS has an agreement that states the Nordion will take possession of any returned source. Of all the potential sources returned from a facility, some will be disposed and some will not with the issue being in the determination of a cutoff point. Rumor has it that Nordion took back all the sources from CFC Logistics for free, undoubtedly based upon short term supply and demand, but they established a salvage value none the less. The cost impact is huge as disposal of all sources for my NJ and PR licenses will add another \$525,000 to the final cost estimate and will reduce STERIS Corporations borrowing power by the same amount.

Item 2. Source rack capacity is the limiting factor in how many sources are potentially available. For Whippany, NJ rack capacity is 968 sources with Vega Alta's limit being 1304. There are roughly 940 sources currently installed at each site with projected loadings at Vega Alta over the next 3 years adding 150 sources. Therefore, 968 sources will be used for the Whippany cost estimate with 1,100 sources for the Vega Alta estimate.

Item 3. It is STERIS's intention to complete the disposal of the Whippany sources in storage by the August 31st deadline. More details to follow regarding phase II of this project. With regard to periodic adjustments to the funding plan, it is my interpretation of revised 10 CFR 30.35 (e) that the cost estimate needs to be resubmitted to NRC on a three year basis with adjustments made to the Financial Surety method as necessary. Let me know if that is incorrect.

Finally, I have a question from STERIS's Treasury Dept. who intend to replace our current Letter of Credit with a Parent Company Guarantee. In Appendix A.13.3, NUREG 1757, Vol 3 it states that a "standby trust agreement" (STA) is not required by NRC though recommended. My group would like to avoid entering into a STA to save a potential significant year over year expense. (As the fund grows bigger so does the bank fee to manage it.) After reading it over again, is it correct to assume that STERIS can avoid establishing an STA as long as a "Trust Fund" is established when the notice to decommission one or both licenses is given to NRC? Please advise.

Thanks for your time.

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