

Honeywell
P.O. Box 2245
Morristown, NJ 07962-2245

November 3, 2006

ATTN: Document Control Desk
Director, Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Re: Honeywell, Metropolis, Illinois (SUB-526)
Docket No. 40-3392

Dear Mr. Strosnider:

Please give our thanks to your colleagues for facilitating our meeting on Monday at the Nuclear Regulatory Commission (NRC) to review the financial assurance requirements for the decommissioning liability at the Honeywell International Inc. ("Honeywell") conversion facility in Metropolis, Illinois.

As requested by the NRC at the meeting, we have reviewed Honeywell's past compliance with 10 C.F.R. §40.36(e). A preliminary review of the historical financial data indicates that, except for the years ended December 31, 2002 and December 31, 2005, Honeywell has complied with all three legs of the financial test set forth in Appendix C to Part 30 for whether a licensee may rely on a self-guarantee. For the fiscal years ended December 31, 2002 and December 31, 2005, Honeywell complied with two of the three legs of the relevant financial test but did not satisfy the requirement that tangible net worth be equal to ten times total decommissioning liabilities. Honeywell's retrospective analysis of compliance with the tangible net worth test is attached hereto as Exhibit A.

The deviation for the year ended December 31, 2002 was due primarily to an asset write-off in our specialty materials divisions and an increase in Honeywell's reserves recognized in the fourth quarter of 2002. As indicated on Exhibit A, by June 30, 2003, Honeywell had returned to full compliance with all three legs of the financial test for self-guarantee of decommissioning liability and remained in compliance until December 31, 2005.

With respect to the non-compliance with the tangible net worth leg of the test for the year ended December 31, 2005, Honeywell will regard the date of notification to the NRC as required under 10 C.F.R. Part 30, Appendix C, Section II.C, to be October 30, 2006, as discussed during Monday's meeting. Honeywell intends to provide the NRC with evidence of its interim compliance within 120 days, or prior to approximately February 28, 2007. During that period, Honeywell intends to formally request an exemption under 10 C.F.R. §40.14 from the 10:1 tangible net worth test set forth in Part 30, Appendix C, Section II.A.1 of 10 C.F.R. §40.36(e) on grounds that such an exemption will not (1) endanger life or property or the common defense and security and (2) is otherwise in the public interest.

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Many thanks for your ongoing interest in the Metropolis facility. Please feel free to contact the undersigned at 973-455-2945 with any comments or questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'J Neuman', followed by a horizontal line extending to the right.

Jeffrey Neuman
General Counsel
Honeywell Fluorine Products

cc: Mr. Michael G. Raddatz, NMSS
John Riley, Honeywell International Inc.
John Tus, Honeywell International Inc.

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EXHIBIT A

Honeywell Historical Financial Assurance Data (\$ in Millions)

	<u>12/31/01</u>	<u>12/31/02</u>	<u>6/30/03</u>	<u>12/31/03</u>	<u>12/31/04</u>	<u>12/31/05</u>
RCRA Closure, Post-Closure and Liability	\$53	\$130	\$130	\$120	\$129	\$132
UST Coverage	\$2	\$2	\$2	\$2	\$2	\$2
NRC Decommissioning Amount	<u>\$106</u>	<u>\$109</u>	<u>\$109</u>	<u>\$109</u>	<u>\$109</u>	<u>\$109</u>
	\$161	\$241	\$241	\$231	\$240	\$243
<u>*Tangible Net Worth*</u>						
Total Shareowners' Equity	\$9,170	\$8,925	\$9,739	\$10,729	\$11,252	\$10,762
Less Goodwill	(\$5,441)	(\$5,698)	(\$5,717)	(\$5,789)	(\$6,013)	(\$7,660)
Less Other Intangible Assets	(\$915)	(\$1,074)	(\$1,087)	(\$1,098)	(\$1,241)	(\$1,173)
Tangible Net Worth	\$2,814	\$2,153	\$2,935	\$3,842	\$3,998	\$1,929