



July 31, 2007

Mr. James P. Dwyer
Division of Nuclear Materials Safety
U.S. Nuclear Regulatory Commission – Region 1
475 Allendale Road
King of Prussia, PA 19406-1415

Reference: Licenses 37-00030-02 and 37-00030-08
Docket Nos.: 030-05980 and 030-05982
Control Nos.: 140378 and 140379

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Dear Mr. Dwyer,

This letter is intended to serve as our Second Quarter Report as required by Section 20.b of the Settlement Agreement and as our reply to your letter dated June 26, 2007.

At the end of June 2007 a shipment of high activity glass tubes and foils was sent to the Barnwell, South Carolina disposal site. This consisted of a total of 10,598 curies. It has been accepted at Barnwell and is now in the ground.

We respond to the provisions outlined in your letter as follows:

1. We expect that all available funds for decommissioning activities will be committed or spent before the end of December 2007. Therefore we do not expect to be able to continue any decommissioning activities after December 31, 2007. Without a License to operate our business, we will be forced to close the company. When the company closes, it is our expectation that control of the site will be managed by a government agency.

2. Based on your most recent letter, we now understand that you have identified the licensed material inventory associated with our tritium light source manufacturing and assembly operation to include contaminated equipment and facilities. However, we still do not agree with this interpretation. We do not believe that anyone who participated in the settlement negotiations, or who has since been to the site, expects contaminated equipment and facilities to be gone from the site by December 31, 2007 as required by Condition 6b of the Settlement Agreement.

3a. Random surveys support that the following buildings meet limits for unrestricted release for tritium:

1. Processing Building
2. Nuclear Machine Shop
3. Butler Building/ Parts of the Etching building where the roofs are not caving in
4. Metals Liquid Waste
5. Main Building
6. Utility Building
7. Silo
8. 8 X8 Block Building
9. SLC Liquid Waste Building
10. Pipe Shop (Scheduled for demolition by the EPA late 07 or early 08)

Areas where known tritium contaminated equipment is stored

1. Processing Building. The items consist of hoods, surface contaminated tools and miscellaneous equipment, tygon tubing, various instrumentation, tritium monitors and vacuum pumps containing tritium contaminated oil. These items are all located in the fill room area of the processing building
2. Silo. Vacuum pumps with tritium contaminated oil
3. 8 X 8 block building. Various contaminated equipment and 2 high pressure cylinders
4. Old House. (Scheduled for demolition by the EPA late 07 or early 08)
5. Pipe Shop. Tritium contaminated fill rigs, tables, chairs etc. Roof is falling in. (Scheduled for demolition by the EPA late 07 or early 08)
6. Etching Building where the roofing has collapsed. There may be Tritium Screening machines. (Scheduled for demolition by the EPA late 07 or early 08)

Areas and equipment which have not been routinely surveyed / contamination unknown

The following is a list of buildings that we believe pass for unrestricted use as far as Tritium is concerned based on the 12,400,000 DPM limit but because of the condition of the buildings, tritium surveys cannot be safely taken.

1. Lacquer Storage (Scheduled for demolition by the EPA late 07 or early 08)
2. Well House (Scheduled for demolition by the EPA late 07 or early 08)
3. Etching Building where the roofs have caved in. (Scheduled for demolition by the EPA late 07 or early 08)
4. Radium Vault (Scheduled for demolition by the EPA late 07 or early 08)
5. Nurses Station (Scheduled for demolition by the EPA late 07 or early 08)
6. Old House (caved in on itself, and is scheduled for demolition by EPA late 07 or early 08)
7. Solid Waste Building (cannot be surveyed until the waste housed in the building is removed)

NOTE: All buildings listed above contain other radionuclides in addition to tritium with the exception of the processing building which is known only to contain tritium.

The following is a list of areas in the Processing Building where surveys cannot be taken

1. Internal piping of foils rig and fill rig
2. Duct work for the ventilation of the hoods
3. The stack
4. Duct from Solid Waste

3b. We are not qualified to answer this question. If requested, however, we could retain a firm expert in the field who could develop the appropriate response. Unfortunately, the cost to do so would further deplete the funds currently allocated for the removal of existing tritium waste. Please advise us how you would like us to proceed in this matter.

3c. Consistent with the Settlement Agreement, we have prioritized the removal of all tritium waste as part of our preparation for shutdown. As mentioned above, a shipment of high activity waste was sent to Barnwell, SC in June. We are now working to remove the remaining low level waste on site including the broken tubes currently stored under the hood in the fill room and the tritium waste stored in the solid waste building. As the costs to dispose of this waste are developed further we will then be in a position to know how much money, if any, remains for additional decommissioning.

4. At present there are 1,241 returned signs at our facility. These signs will be processed in a manner consistent with past practices. We will continue to receive returned signs until October 31, 2007 as allowed by Condition 6c of the Settlement Agreement. We confirm that all returned devices will be transferred to an authorized recipient by December 31, 2007.

5. We've had numerous meetings with representatives of the EPA and are cooperating fully with them as required in Section 6b of the Settlement Agreement.

Please contact me if you have any questions.

Regards,



William E. Lynch Jr.
Vice President

Cc: Dave Allard, Director, PADEP/BRP