

BWX TECHNOLOGIES, INC. (BWXT) REPLY TO NRC REQUEST FOR ADDITIONAL
INFORMATION (TAC L32657) IN REGARDS TO BWXT's SNM-42 LICENSE AMENDMENT
REQUEST, NOVEMBER 14, 2007

Each question from the RAI is re-stated fully followed by BWXT's reply to the question.

1. Your November 14, 2007, request stated that the incorporation of the Nuclear Operations Division as the Babcock & Wilcox Nuclear Operations Group (B&W NOG) is only a part of the larger effort. Explain, in full, the ongoing corporate reorganization efforts, identifying all corporate entities involved.

BWXT Reply: Earlier this year, a decision was made to launch a corporate identity campaign to better reflect the consolidation of the operations of B&W and BWXT that occurred on January 1, 2007. One of the conclusions reached was that the name "The Babcock & Wilcox Companies" (formerly named "BWICO") should be used only as a transitional name and "The Babcock & Wilcox Company" (formerly used by the fossil power subsidiary in Barberton, Ohio, herein "B&W") should be adopted by the common immediate parent company of B&W and BWXT in order to maximize the equity derived in having a single, consistent identity across the corporation. Therefore, another name change occurred at the end of November, 2007 which resulted in "The Babcock & Wilcox Companies" becoming "The Babcock & Wilcox Company."

Consequently, a decision was made to rename all of the entities that report to B&W and BWXT to reflect this common "Babcock & Wilcox" identity. For the B&W side of the corporation, the primary subsidiary formerly named "The Babcock & Wilcox Company" was renamed as "Babcock & Wilcox Power Generation Group, Inc." (B&W PGG).

On the BWXT side of the corporation, two main entities are listed as reporting under BWXT: BWXT Services, Inc. (which is the M&O services provider for BWXT, including BWXT Pantex, LLC and BWXT Y-12, LLC) and BWXT-Nuclear Operations Division ("NOD"). BWXT Services, Inc. has been renamed "Babcock & Wilcox Technical Services Group, Inc." (B&W TSG). All of the entities reporting in to B&W TSG were also renamed accordingly by including the Babcock & Wilcox name.

However, BWXT-Nuclear Operations Division ("NOD") was different in that it was not a separate legal entity, but rather was a division of BWXT. Since the BWXT name will no longer be used for branding/marketing purposes, several options were discussed as to how to rename BWXT-NOD. Eventually, the decision was made to simply incorporate NOD as a separate legal entity equal to BWXT Services, Inc. However, due to a number of factors, including the existing credit agreements and financial assurances that were made on behalf of BWXT for NOD's use, BWXT shall continue to exist as the direct parent company of both B&W TSG and the new successor company of NOD, which has been named Babcock & Wilcox Nuclear Operations Group, Inc. ("B&W NOG"). B&W NOG has become a wholly-owned subsidiary of BWXT, as opposed to a division of BWXT. There are no personnel or operational changes associated with this change from NOD to B&W NOG. Rather, this change is a purely legal restructuring to better reflect B&W NOG's position as a member of The Babcock & Wilcox Company family of companies.

2. Will there be a parent company of B&W NOG, responsible for providing financial assurance for the decommissioning of licensed facilities? If so, identify that parent company.

BWXT Reply: See the reply to question number 1. As the direct parent company of B&W NOG, BWXT will remain as the entity responsible for providing financial assurance. BWXT is a wholly-owned subsidiary of The Babcock & Wilcox Company and there is no change in ownership for any of these entities.

3. Your November 14, 2007, request claims that the reorganization does not "affect ownership or authorized activity" under your NRC license. Clarify what is meant by this statement, and provide bases to support your claim.

BWXT Reply: See the reply to questions number 1 and 2. As previously stated, the ownership stays the same and the authorized activity will only be conducted by B&W NOG (formerly "Nuclear Operations Division").

4. Provide a full copy of the Reorganization Plan (Plan), and identify all regulatory agencies, courts, etc., who have approved or must approve the Plan.

BWXT Reply: There is no documented reorganization plan. This was a marketing effort to leverage the B&W brand name. However, after investigating options, as stated in the reply to question number 1, it was decided to incorporate NOD as B&W NOG to ensure that all companies under The Babcock & Wilcox Company are in alignment. There are no courts that must approve this incorporation of B&W NOG nor the renaming of the corporate entities discussed herein. The agencies identified as requiring notification included the following: BWXT's Government Customers and related entities (i.e., Pittsburgh Naval Reactors – PNR), the banks holding the BWXT Credit Agreements, BWXT insurers and the NRC. All were contacted in early October by phone when we first began discussing incorporating NOD as B&W NOG to determine what needed to be done. Most of these agencies required a letter setting forth the situation. All except for the NRC have granted approval. At the time our licensing manager contacted the NRC, she was told to supply certain information, which promptly occurred and which has continued as requested.

5. Identify any conditions associated with the proposed reorganization and name change that must be met before the changes become effective.

BWXT Reply: Aside from NRC approval, legal paperwork must still be completed by mid-December to effect the incorporation of B&W NOG.

6. Identify any personnel changes regarding the B&W NOG's Chief Executive Officer and other senior executive positions as a result of the name change.

BWXT Reply: See the reply to question number 1. There are no proposed personnel changes. The biggest change will be with regard to business cards and letterhead stationery.

7. Address the issue of whether the name change will result in any foreign ownership, control, or domination with respect to licensed activities under SNM-42.

BWXT Reply: See the reply to question number 1. There is no change in ownership. BWXT will continue to be the legal entity responsible for B&W NOG. The change is that the BWXT name will no longer be used with the public and for marketing purposes.

8. Will the NRC-licensed material, now at the BWXT and Lynchburg Technology Center, remain under the supervision of the current Site Radiation Safety Officer?

BWXT Reply: Yes.

9. How will the financial assurance for the decommissioning of the BWXT and Lynchburg Technology Center sites be affected? Is the information BWXT submitted in Chapter 10 of Enclosure 2, of its November 14, 2007, submittal current and reflect the parent company guarantee, and financial test to demonstrate financial assurance for decommissioning activities? If not, provide this information.

BWXT Reply: See the reply to question number 1. There is no change in the financial assurance. BWXT continues to be responsible under our existing credit agreements. B&W NOG will become a guarantor under those agreements, creating another level of assurance for the site activities. The previous information submitted remains valid.

10. Will the change have any adverse impact to decommissioning the BWXT facilities?

BWXT Reply: No.

11. Discuss whether the change affects the financial, managerial or technical qualifications of those responsible for licensed activities.

BWXT Reply: As discussed herein, there are no changes to the financial, managerial or technical qualifications of those responsible for licensed activities under SNM-42.

12. Discuss whether the change will result in any changes to current programs, procedures, organization, location, facilities, equipment, and/or conduct of licensed operations under SNM-42 (including at the BWXT site or the Lynchburg Technology Center).

BWXT Reply: There are no changes to those items listed.

13. Discuss whether the proposed change raises any other significant safety or NRC regulatory issues.

BWXT Reply: There are no significant safety or NRC regulatory issues anticipated with this restructuring.

14. Your September 20, 2006, letter indicated that at least two other corporate entities; McDermott and "The Babcock & Wilcox Companies," may be involved in NRC-licensed activities. Explain how these two companies fit into the overall corporate structure, and what, if any, role they will have in NRC-licensed activities.

BWXT Reply: The Babcock & Wilcox Companies was simply a renaming of an existing holding company previously named "Babcock & Wilcox Investments Co., Inc." ("BWICO"). There was no change in ownership that occurred with this renaming. BWICO was a direct subsidiary of McDermott Incorporated ("MI") and The Babcock & Wilcox Companies is still a direct subsidiary of MI. As direct subsidiaries of BWICO, B&W and BWXT had always reported up through BWICO to MI. The name change from BWICO to The Babcock & Wilcox Companies on January 1, 2007 was part of an initiative to identify the B&W brand name with the common parent company of B&W and BWXT. B&W and BWXT still existed in name and function, but were now known as direct subsidiaries of The Babcock & Wilcox Companies. MI and The Babcock & Wilcox Companies do not play a role in the NRC-licensed activities other than serving as a parent organization.