August 22, 2008

Mr. David J. Anderson
Senior Vice President and
Chief Financial Officer
Honeywell Global Headquarters
Honeywell
101 Columbia Road
Morristown, NJ 07962

SUBJECT: SELF-GUARANTEE FINANCIAL TEST TO DEMONSTRATE FINANCIAL ASSURANCE FOR DECOMMISSIONING FUNDING FOR FISCAL YEAR ENDING IN 2007-HONEYWELL METROPOLIS WORKS (TAC NO. L32425)

Dear Mr. Anderson:

By letter dated March 24, 2008, Honeywell (or the licensee) provided a letter in support of its use of self-guarantee financial test to demonstrate financial assurance, as specified in Title 10 of the *Code of Federal Regulations* (10 CFR), Section 40.36, Financial Assurance and Record Keeping for Decommissioning. Specifically, License Condition (LC)-26, contained in its renewed source materials license number SUB-526 dated May 11, 2007, stated:

> LC-26 Honeywell shall submit to NRC, for review and approval, the results of the financial test and supporting documentation required by 10 CFR 30 Appendix C II.B(3) within 120 days of the close of each fiscal year.

Because Honeywell is utilizing a self-guarantee financial assurance mechanism to ensure that funds are available for decommissioning, LC-26 was imposed for its source material license to ensure that the requirements of 10 CFR 30 Appendix C II.B(3) will be met. 10 CFR 30 Appendix C II.B(3) states:

> After the initial financial test, the company must repeat passage of the test within 90 days after the close of each succeeding fiscal year.

In addition, in its renewed source materials license number SUB-526, Honeywell was granted an exemption to include goodwill assets to meet the 10 to 1 ratio of tangible net worth to decommissioning obligation to pass the financial test for a self-guarantee of financial assurance for decommissioning as described in 10 CFR 30 Appendix C II.A. LC-27 was imposed on Honeywell's source materials license and it stated:

> LC-27 Honeywell is granted an exemption to 10 CFR Part 30, Appendix C, Section II.A.1 (as made applicable by 10 CFR 40.36(e)(2)). Specifically, as described in a letter dated December 1, 2006, Honeywell may include goodwill assets in its calculation of tangible net worth to meet the 10 to 1 ratio of tangible net worth to decommissioning obligation to pass the financial test. All other applicable conditions within 10 CFR 30, Appendix C remain. This license condition will expire 1 year from the date of approval of this license renewal.

By letter dated April 11, 2008, Honeywell submitted its request for extension of exemption from decommissioning financial assurance requirements contained in LC-27. The staff has completed the review of the proposed exemption request and found the exemption acceptable as documented in the letter dated August 22, 2008.

In its submittal dated March 24, 2008, Honeywell stated that its current cost estimates or certified amounts for decommissioning, through self-guarantee, is $156,440,898. Honeywell's fiscal year ends on December 31 of every calendar year.

The staff reviewed the following items provided by Honeywell for conformance to NRC regulations, NUREG-1757, Vol. 3, "Consolidated NMSS Decommissioning Guidance: Financial Assurance, Recordkeeping, and Timeliness," and LC-27:

- Letter from Chief Financial Officer (CFO) including applicable self-guarantee financial test;

- Auditor's special report confirming CFO letter and reconciling amounts in the CFO letter with licensee's financial statements; and

- Licensee's audited financial statements for the period ending December 31, 2007.

Based upon this review, the staff has determined that Honeywell has:

- A tangible net worth at least 10 times the current decommissioning cost estimate for which the company is responsible as a self-guaranteeing licensee and as a parent-guarantor. Honeywell provided this information prior to May 11, 2008, which is the expiration date of License Condition 27;

  (The staff notes that the licensee meets this portion of the test as a result of the exemption set forth in LC-27. As of December 31, 2007, Honeywell has $9,175,000,000 in goodwill assets. Without inclusion of goodwill assets in this calculation, Honeywell has a negative tangible net worth.)

- Assets located in the United States at least 10 times the current decommissioning cost estimate for decommissioning activities for which the company is responsible as a self-guaranteeing licensee and as a parent-guarantor;

- At least one class of equity securities registered under the Securities and Exchange Act of 1934; and

- A current rating for its most recent unsecured bond insurance of A as issued by Standard & Poor's.

Based on the above, the staff considers that Honeywell passes its annual self-guarantee financial test, and therefore, concludes that Honeywell meets the regulatory requirements to provide financial assurance.

In accordance with 10 CFR 2.390 of the U. S. Nuclear Regulatory Commission's (NRC) "Rules of Practice," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's

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If there are any questions regarding this action, please contact Ms. Tilda Liu, NRC Project Manager for Honeywell Metropolis Works, at (301) 492-3217 or via e-mail at tilda.liu@nrc.gov.

Sincerely,

/RA/

Michael D. Tschiltz, Deputy Director
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Docket No.: 40-3392
License No.: SUB-526

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Sincerely,

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Office of Nuclear Material Safety
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Docket No.: 40-3392
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