

August 22, 2008

Mr. Mitch Tillman
Plant Manager
Honeywell Metropolis Works
P.O. Box 430
2768 North US 45 Road
Metropolis, IL 62960

SUBJECT: HONEYWELL METROPOLIS WORKS – EXTENSION OF ONE-YEAR
EXEMPTION FROM THE REQUIREMENTS OF 10 CFR 30, APPENDIX C,
REGARDING DECOMMISSIONING FINANCIAL ASSURANCE
(TAC NO. L32432)

Dear Mr. Tillman:

The U.S. Nuclear Regulatory Commission (NRC) has approved the exemption from specific requirements of Title 10 of the *Code of Federal Regulations* (10 CFR) 30, Appendix C, for Honeywell Metropolis Works. This action is in response to your application dated April 11, 2008, as supplemented by your letter dated May 15, 2008, that requested an extension of a previous granted exemption which would allow Honeywell to include goodwill assets in its calculation of tangible net worth to meet its decommissioning obligation.

Specifically, in its submittal dated April 11, 2008, as supplemented on May 15, 2008, Honeywell requested an extension of a one-year exemption, previously approved by the NRC in a letter dated May 11, 2007, from a portion of the financial test in 10 CFR 30, Appendix C, which requires that Honeywell's year end tangible net worth be equal to at least ten times its total decommissioning liabilities. The exemption granted by NRC allowed Honeywell to include goodwill in the determination of tangible net worth and was contained in License Condition (LC) -27, in its Materials License No. SUB-526 renewed on May 11, 2007.

A copy of the exemption is included in Enclosure 1. Enclosure 2 contains Amendment 2 for the Honeywell Material License No. SUB-526, reflecting the revision proposed under this exemption request.

In accordance with 10 CFR 2.390 of the NRC's "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 component of NRC's Agencywide Documents Access and Management System (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

M. Tillman

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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/

Daniel H. Dorman, Director
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

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

Enclosure: Exemption

cc w/Enclosures:

John Tus, Vice President and Treasurer
Honeywell International, Inc
101 Columbia Road
Morristown, NJ 07962

Larry Parscale, Nuclear Regulatory Affairs Manager
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DATE	8/22/08	08/22/08		

OFFICIAL RECORD COPY

DOCKET NUMBER: 40-3392
LICENSE NUMBER: SUB-526
LICENSEE: HONEYWELL METROPOLIS WORKS
SUBJECT: EXTENSION OF ONE-YEAR EXEMPTION FROM THE
REQUIREMENTS OF 10 CFR 30, APPENDIX C, REGARDING
DECOMMISSIONING FINANCIAL ASSURANCE
(TAC NO. L32432)

1.0 BACKGROUND

Honeywell International Inc. (Honeywell or the licensee) is the holder of Materials License No. SUB-526, which authorizes operation of Honeywell Metropolis Works (MTW) facility. The license provides, among other things, that the facility is subject to all rules, regulations, and orders of the U.S. Nuclear Regulatory Commission (NRC or the Commission) now or hereafter in effect.

The facility holds a Title 10 of the *Code of Federal Regulations* (10 CFR) Part 40 license last renewed by the NRC on May 11, 2007. It is located in Metropolis, IL, and converts uranium ore concentrates to uranium hexafluoride (UF₆) via fluoride volatility process. The UF₆ product is used as the feed material for uranium enrichment plants.

2.0 EXEMPTION REQUEST

By application dated April 11, 2008, as supplemented by letter dated May 15, 2008, Honeywell requested an extension of a one-year exemption, previously granted by NRC via letter dated May 11, 2007, from a portion of the financial test in 10 CFR 30, Appendix C, which requires that Honeywell's year end tangible net worth be equal to at least ten times its total decommissioning liabilities. The exemption granted by NRC allowed Honeywell to include goodwill in the determination of tangible net worth and was contained in License Condition (LC) -27 in its Materials License No. SUB-526 renewed on May 11, 2007. LC-27 states:

Honeywell is granted an exemption to 10 CFR Part 30, Appendix C, Section II.A.1 (as made applicable by 10 CFR part 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 to 10 to 1 ratio of tangible net worth to decommissioning obligation to pass the financial test. All other applicable conditions within 10 CFR Part 30, Appendix C, remain. This license condition will expire one year from the date of approval of this license renewal.

Specifically, by application dated April 11, 2008, as supplemented by letter dated May 15, 2008, Honeywell requested an extension of the aforementioned exemption from the same portion of the financial test in 10 CFR 30, Appendix C, until of the earlier occurrence of (1) May 11, 2009, or (2) the effective date of a final rule amending 10 CFR Part 30 consistent with the proposed rule published in the *Federal Register* on January 22, 2008.

3.0 SAFETY EVALUATION

In accordance with 10 CFR 30.11, Specific Exemptions, and 10 CFR 40.14, Specific Exemptions, the Commission may, upon application by any interested person or upon its own initiative, grant exemptions from the requirements of 10 CFR Part 30 and 10 CFR Part 40 when the exemptions are authorized by law, will not endanger life or property, are consistent with the common defense and security, and are otherwise in the public interest.

Since May 26, 1994, Honeywell has provided a corporate self-guarantee as financial assurance for decommissioning as required by 10 CFR Part 30 Appendix C (as made applicable by 10 CFR Part 40.36 (e)(2)). However, in a letter dated November 3, 2006, Honeywell notified NRC that it was unable to meet the tangible net worth part of the financial test as required by 10 CFR Part 30 Appendix C. The regulations require, among other things, that the licensees have tangible net worth of at least 10 times the decommissioning obligation.

Honeywell's tangible net worth no longer meets the 10 to 1 ratio test, which means that it is no longer eligible to use the self-guarantee. The regulations require that Honeywell provide alternate financial assurance within 120 days after notifying the NRC that it is no longer qualified to use the self-guarantee.

In a letter dated December 1, 2006, Honeywell submitted a request under the provisions of 10 CFR 40.14 for an exemption from 10 CFR 30, Appendix C, that it be allowed to include goodwill in the determination of tangible net worth for the purpose of the ratio test. On May 11, 2007, NRC approved the renewal of Honeywell Materials License No. SUB-456 and documented its review in a Safety Evaluation Report (SER) enclosed with the renewed license. In Section 11.5 of this SER, Honeywell was granted a one-year exemption from the tangible net worth portion of the financial test which is stipulated in 10 CFR Part 30 Appendix C, Section II. This exemption allowed Honeywell to use goodwill in its calculation of net worth. This exemption was granted based on many factors that were documented in the SER including Honeywell's bond rating of "A" as assigned by Standard & Poor's. The SER outlined that a company with an "A" bond rating had a relatively low probability of default, and that this default rate was almost non-existent (0.08%) within in a one-year time period.

As Honeywell's one-year exemption expired on May 11, 2008, Honeywell seeks to extend this exemption until the earlier of (1) May 11, 2009 (i.e., an additional one year period) or (2) the effective date of a final rule amending 10 CFR Part 30 consistent with the proposed rule published in the *Federal Register* on January 22, 2008.

Comparing its financial figures for fiscal years ended on December 31, 2007 and December 31, 2006, Honeywell has increased its net Income, current assets and earning per share. Honeywell has indicated, in its letter dated May 15, 2008, that it maintains \$21.9 billion in total assets in the United States compared to the self-guarantee pledged amount of \$157 million.

Honeywell covers an additional \$225 million in decommissioning liabilities to all other Federal and State agencies through guarantees for an aggregate decommissioning liability of \$382 million. If goodwill is included in Honeywell's net worth test, as of March 31, 2008, Honeywell's net worth to decommissioning liability is approximately 21 to 1. The tangible net worth requirement in 10 CFR 30, Appendix C, requires a 10 to 1 ratio. Additionally, Honeywell has continued to maintain a long-term credit rating of "A" as assigned by Standard & Poor's. Because the basis for granting the original exemption still applies, the staff considers that it is

acceptable to allow an extension of this exemption until the earlier of (1) May 11, 2009 or (2) the next effective date of a final rule amending the financial assurance requirements in 10 CFR Part 30 or 10 CFR Part 40 which may be similar to the proposed rule published in the *Federal Register* on January 22, 2008.

Authorized by Law

This action would allow an extension of a previously granted exemption from the same portion of the financial test in 10 CFR 30, Appendix C, which would require that Honeywell's year end tangible net worth be equal to at least ten times its total decommissioning liabilities, to include goodwill in the determination of tangible net worth until of the earlier occurrence of (1) May 11, 2009, or (2) the effective date of a final rule amending 10 CFR Part 30 consistent with the proposed rule published in the *Federal Register* on January 22, 2008. The NRC staff has determined that granting of the licensee's proposed exemption will not result in a violation of the Atomic Energy Act of 1954, as amended, or the Commission's regulations. Therefore, the exemption is authorized by law.

No Endangerment to Life or Property

The underlying purpose of 10 CFR Part 30 is to ensure adequate and appropriate financial assurance for decommissioning funding. No new accident precursors are created by this exemption which was also previously granted by NRC, via letter dated May 11, 2007, to allow using goodwill assets to meet the 10 to 1 ratio of tangible net worth to decommissioning obligation. In view of the above, there is no significant increase in the risk that funds for decommissioning will not be available when needed. Therefore, there is no endangerment to life and property.

Consistent with Common Defense and Security

The proposed action would allow an extension of a previously granted one-year exemption by using goodwill assets to meet the 10 to 1 ratio of tangible net worth to decommissioning obligation. This action has no relation to security issues. Therefore, the common defense and security is not impacted by this action.

In the Public's Interest

The exemption is in the interest of the public because resources will not be expended on the alternate financial assurance methods that would increase the likelihood that funds for decommissioning will not be available when needed.

4.0 ENVIRONMENTAL REVIEW

Issuance of the requested exemption is subject to licensing and regulatory actions requiring the preparation of an environmental assessment. The environmental assessment of this exemption request finds no significant impact and is being published in the *Federal Register*.

5.0 CONCLUSION

Accordingly, the Commission has determined that, pursuant to 10 CFR Part 40, the exemption is authorized by law, will not present an undue risk to the public health and safety,

and is consistent with the common defense and security. Also, the exemption is in the public's interest because resources will not be expended on alternate financial assurance methods that would increase the likelihood that funds for decommissioning will not be available when needed.

Therefore, the Commission hereby grants Honeywell an exemption from the requirements of 10 CFR 30, Appendix C, Section II.A.1, for Honeywell MTW. Pursuant to 10 CFR 51.32, the Commission has determined that the granting of this exemption will not have a significant effect on the quality of the human environment.

6.0 LICENSE AMENDMENT

The portion contained in Honeywell's Material License No. SUB-526, LC-27, where it is stated, "This license condition will expire one year from the date of approval of this license renewal." shall be revised to read:

This license condition shall be imposed until of the earlier occurrence of (1) May 11, 2009, or (2) the effective date of a final rule amending 10 CFR Part 30 consistent with the proposed rule published in the *Federal Register* on January 22, 2008.

Principal Contributors

Kenneth Kline
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