



Pennsylvania Department of Environmental Protection

OFFICE OF CHIEF COUNSEL  
Rachel Carson State Office Building  
P. O. Box 8464  
Harrisburg, PA 17105-8464  
July 28, 2008

Bureau of Regulatory Counsel

Telephone 717-787-7060  
Telecopier 717-783-7911

Via Regular Mail

Br. 3

Walter Letts  
First National Bank of Chester County  
P.O. Box 523  
9 North High Street  
West Chester, PA 19381

03017514

2008 AUG - 1 PM 12: 1  
RECEIVED

Re: *Lionville Laboratory, Inc., PADEP License Number 37-19378-01; Financial Assurance Instruments*

Dear Mr. Letts:

I send this letter as a follow-up to our telephone conversation on July 25, 2008 regarding financial assurance instruments for Lionville Laboratory, Inc. (Pennsylvania Department of Environmental Protection Radioactive Materials Licensee Number 37-19378-01).

Effective March 31, 2008 the Commonwealth of Pennsylvania and the Nuclear Regulatory Commission (NRC) entered into an agreement, pursuant to § 274 of the Atomic Energy Act (AEA), 42 U.S.C. § 2021, and § 201 of the Pennsylvania Radiation Protection Act (RPA), 35 P.S. § 7110.201. The Agreement provides for discontinuance of the regulatory authority of the NRC within the Commonwealth with respect to byproduct materials as defined in §§ 11e.(1), (3) and (4) of the AEA, source materials, and special nuclear materials in quantities not sufficient to form a critical mass. Upon Pennsylvania becoming an Agreement State, persons holding a specific license issued by the NRC for a radioactive material covered by the Agreement are deemed to possess a like license issued under the RPA and 25 Pa. Code Chapter 217. Accordingly, as of March 31, 2008, the Pennsylvania Department of Environmental Protection (PADEP) has jurisdiction over the license of Lionville Laboratory, Inc. (Lionville) identified above which covers radioactive materials in Lionville facilities located in Lionville, Pennsylvania.

As you know, Lionville currently has financial assurance instruments posted with the NRC, including a letter of credit issued by West Chester National Bank. As a result of the transfer of jurisdiction over Lionville's radioactive materials license from the NRC to PADEP, Lionville must submit acceptable financial assurance to PADEP. Lionville intends to submit a letter of credit issued by Wells Fargo Bank, N.A.; I have reviewed the form of the letter of credit

to be issued by Wells Fargo Bank and found it acceptable. However, I have been informed by Mr. Douglas Dixon, a Vice-President for Wells Fargo Bank who is handling the Lionville financial assurance matter, that the letter of credit will not be issued until Wells Fargo Bank receives a transfer of the collateral currently being held for the letter of credit issued by West Chester National Bank.

In order to facilitate issuance of the new letter of credit by Wells Fargo Bank for the account of Lionville, without the licensee having to provide duplicate collateral, I would request that you release the collateral currently being held for the Lionville account to Wells Fargo Bank. Mr. Dixon has indicated that upon receipt of the collateral, Wells Fargo will issue the new letter of credit serving as the required financial assurance for Lionville and will forward that original letter of credit to me. Upon receipt of the letter of credit from Wells Fargo, I will review it immediately. If it is acceptable, I will approve the financial assurance for Lionville by sending a letter to Lionville, with a copy to NRC requesting that the letter of credit issued by West Chester National Bank for Lionville be cancelled and returned to you immediately.

Please inform me whether this arrangement is acceptable, and if so, when the collateral will be transferred. I have asked Mr. Dixon to contact you directly to provide you with any further information you need from Wells Fargo Bank.

Thank you for your attention to this matter.

Sincerely,



Richard S. Morrison  
Assistant Counsel

cc: J. Douglas Dixon  
James Dwyer (NRC)  
Sheryl Villar (NRC)  
Ron Hamm (PADEP)