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21G-08-0176
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ACF-08-0341

October 29, 2008

Director
Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, DC 20555

- References:
- 1) Docket No. 70-143; SNM License 124
 - 2) Application for NRC Consent to the Indirect Transfer of Control of NFS' License and Quality Assurance Program Approval, and Request for NRC Approval of a License Amendment to Effectuate Such Transfer, dated August 8, 2008 (21G-08-0113) (TAC L32692)
 - 3) NRC letter, Mary Adams to B. Marie Moore, dated October 9, 2008, Request for Additional Information Regarding Application for NRC Consent to Indirect Transfer of Control (TAC L32692)

Subject: Response to RAI Regarding NFS Application for NRC Consent to Indirect Transfer of Control

Dear Sir:

Nuclear Fuel Services, Inc. (NFS) is providing information in the Attachment to address the questions asked by your staff (Reference 3) regarding the NFS application dated August 8, 2008 (Reference 2).

If you or your staff have any further questions, require additional information, or wish to discuss this, please contact me, or Mr. Rik Droke, Licensing and Compliance Director at (423) 743-1741. Please reference our unique document identification number (21G-08-0176) in any correspondence concerning this letter.

Sincerely,

NUCLEAR FUEL SERVICES, INC.



B. Marie Moore
Vice President, Safety and Regulatory

RPD/pdj
Attachment

copy:
Regional Administrator
U.S. Nuclear Regulatory Commission
Region II, Atlanta Federal Center
61 Forsyth Street, SW, Suite 23T85
Atlanta, GA 30303

Mr. Manuel Crespo, Project Inspector
U.S. Nuclear Regulatory Commission
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61 Forsyth Street, SW, Suite 23T85
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Mr. Kevin Ramsey, Project Manager
Fuel Cycle Facilities Branch, FCSS, NMSS
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Mr. Stephen Burris
U.S. Nuclear Regulatory Commission
Senior Resident Inspector

Attachment

**Response to Request for Additional Information
Regarding NFS Application for NRC Consent to Indirect Transfer of Control**

NRC Question:

Will all of the assets, revenues, and cash flows of NFS remain with NFS or will there be any provisions that allow any of these funds to be passed up to NOG or to any other parent company? In addition, will there be any provisions that allow any of these funds to be passed to any sister company or passed down to any subsidiary? If there are any or will be any provisions that allow funds or assets to be passed from NFS to any other related company, please provide specific details to fully address how these provisions and/or transactions are structured.

NFS Response:

As was described in our Application For NRC Consent to Indirect Transfer Of Control (TAC L32692), NFS will remain a wholly-owned subsidiary corporation of NFS Holdings, Inc., which, as a result of the proposed acquisition, will be a wholly-owned subsidiary of NOG-Erwin Holdings, Inc., an indirect subsidiary of BWX Technologies, Inc. (BWXT). NFS will remain a solvent stand-alone entity, continuing to maintain and manage its own financial statements and existing financial assurance arrangements including but not limited to the balance sheet, statement of cash flows, and income statement. Based on your specific question of provisions that would allow assets, revenues or cash to be passed to other entities within the corporation, we have provided below a description of the three general situations whereby NFS assets, revenues and/or cash flows may be transferred to parent, subsidiary or affiliated companies of NFS:

1. Day-to-Day Cash Management.

As a result of the proposed acquisition, NFS would become an indirect, wholly owned subsidiary of BWXT and its ultimate parent, McDermott International, Inc., a public company traded on the New York Stock Exchange. Consistent with cash management systems established for many large, publicly-traded corporations, NFS would be included in McDermott's global cash management system whereby "excess cash" (defined as customer receipts less payments made to vendors, employee salaries, and other operating costs) would be transferred, on a daily basis, up to one or more parent companies for use in funding the cash needs of other companies within the extended McDermott enterprise (i.e., parent, affiliated and sister companies of NFS) or to be invested. If NFS' operating costs on any day exceed NFS' customer receipts, such cash shortfall would be covered by funds available from the other operating entities within the extended

McDermott enterprise. Moreover, following the proposed acquisition, NFS – as an indirect, wholly owned subsidiary of BWXT, would have access to any available capacity under BWXT’s larger credit facility.

2. Restructuring of NFS’ Off-Site Operations.

NFS’ current operations fall generally into three different business areas: (1) nuclear fuel fabrication, (2) HEU downblending, and (3) off-site, M&O operations. The nuclear fuel fabrication and HEU downblending business areas will remain within NFS. The off-site M&O operations of The Babcock & Wilcox Company (“B&W”) are currently conducted through its indirect, wholly owned subsidiary, Babcock & Wilcox Technical Services Group, Inc. (B&W TSG). In order to better align NFS’ off-site M&O operations with B&W’s corporate structure, following the acquisition (but subject to appropriate third party consents and approvals), B&W plans to conduct NFS’ existing off-site M&O operations through B&W TSG.

3. Service Centers.

As is common among corporate enterprises with multiple subsidiary operations, B&W provides many corporate and administrative services to its various subsidiaries through corporate “service centers.” As such, the associated resources are employed or owned by B&W as the corporate parent, and the services are rendered for the benefit of the various subsidiaries through a corporate administrative services or similar agreements. As currently contemplated, this restructuring would include the transfer of certain assets from NFS to B&W’s service center. These assets would be transferred on an arms-length basis, based on net book value, in the same fashion that such a transfer would be made if NFS had elected to outsource the same function to an outside, third party service provider.