NUCLEAR METALS, INC.

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040-00672

Robert E. Quinn
PRESIDENT

May 12, 1995

Mr. Charles W. Hehl, Director
Division of Radiation Safety and Safeguards
U.S. Nuclear Regulatory Commission, Region 1
475 Allendale Road
King of Prussia, PA 19406-1415

Subject: Enforcement Conference on Financial Assurance

Dear Mr. Hehl:

Thank you for your letter of April 5, 1995. We now more fully understand that our reliance on contract provisions to provide for partial financial assurance is not one of the instruments described in 10 CFR 40.36. Consequently, we will be submitting shortly a formal request for exemption from 10 CFR 40.36 which would allow our contract provisions to provide for partial financial assurance. Our formal request will be accompanied by written confirmation from the U.S. Army that these contract vehicles do provide for financial assurance for decontamination and decommissioning of Army equipment along with the associated rehabilitation of NMI facilities.

Please be assured that NMI will maintain its $750,000 Letter of Credit (or an alternate instrument per 10 CFR 40.36) to cover its portion of D&D remediation cost. Additionally, over the next 18 months NMI will be removing its obsolete/unused equipment for DU penetrators to create room in our facility for non-depleted uranium related growth. This action will significantly reduce NMI's portion of its D&D liability.

NMI's D&D plan and requisite financial assurance has two components. the removal of the Holding Basin and the provision for D&D of the Manufacturing Facilities. Per your letter request, please find below a description of our communications with the Army on these matters:

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2229 Main Street Concord, Massachusetts 01742 (508) 369-5410

Holding Basin

In my opinion we are making excellent progress with the Army to obtain adequate funding for the removal and decommissioning of our Holding Basin. Please find enclosed as Attachment 1 documentation of our efforts to obtain this funding from the Army.

The Army has verbally agreed that it will pay for this project. They have identified funding to cover the FY'95 costs and are now searching for the FY'96 and FY'97 money. Together, NMI and the Army, have identified three contract vehicles that could be used. We expect to receive FY'95 funding authorization on an existing contract before the end of June 1995 which allows us to maintain our Holding Basin remediation schedule furnished to the NRC under separate cover.

Manufacturing Facilities

Pursuant to your letter request NMI has met with the Army and has requested written confirmation that the Army agrees with our interpretation of the Army's contract responsibilities as we outlined to the NRC on December 8, 1994. Please find enclosed as Attachment 2 the memoranda on this matter.

At a meeting on May 3, 1995 the Army verbally agreed with NMI's contract interpretation. At that meeting we requested a written confirmation from the Army. We expect a reply soon. However, it is our opinion that the Army remains extremely reluctant to make an ironclad commitment in writing due to public laws that would subject Army officials to financial and/or criminal penalties. More information on this subject is included in Attachment 2, Section A.

Mr. James Munson, PCO and Ms. Melanie Johnson, Contract Specialist on our Government Facilities Contract (#DAAA09-01-C0013) offered to discuss the contract directly with NRC officials.

It is also possible that the PCO, subsequent to verbal dialogue with the NRC, would be able to furnish a confirming letter to the NRC on the basis of the letter being for "Government Use Only". Mr. Munson's phone number is (309) 782-3815.

Please be assured that the matter of providing to the NRC appropriate financial assurance to cover future D&D activities has my fullest attention. We are earnestly trying to obtain the necessary U.S. Army corroboration and I feel that we are now extremely close. We will be looking for the earliest time to submit our formal request for a partial exemption to 10 CFR 40.36 financial assurance mechanisms. We hope that Attachments 1 and 2 provide you with documented evidence of our good faith and persistent efforts to obtain the necessary U.S. Army corroboration.

Thank you for your understanding of our very special circumstances.

Very truly yours,

Robert E. Quinn
President