NUCLEAR METALS, INC.

17 January 1997

United States Nuclear Regulatory Commission
Region I
475 Allendale Road
King of Prussia, PA 19406-1415

Attention: Charles W. Hehl, Director
Division of Nuclear Materials Safety

Reference: License Number SMB-179
Dockets Number 040-00672
USNRC Letter Dated 18 December 1996.

Subject: Financial Assurance Submittal

Dear Mr. Hehl:

This correspondence is in response to your letter dated December 13, 1996, where you forwarded information from Kenneth J. Oscar, Deputy Assistant Secretary of the Army (Procurement). This letter provided, requested Army input to the NRC with respect to the Army Contract Adjustment Board Memorandum of Decision (Army Decision) dated 13 September, 1995. We have provided herein a copy of the Army Decision.

In your letter to us you asked us to provide additional information regarding several items related to the Army Decision and our plans for current and future decommissioning actions at the NMI site in Concord.

1) With respect to the letter from Dr. Oscar (attached) NMI is in full agreement with the Army's position as stated in the his 13 December 1996 letter. This letter also confirms statements made in a letter from Mr. Robert Quinn, NMI President, to you dated 12 November 1996, regarding the Army Decision that the existing Army facilities contract would provide a vehicle for NMI to pass D&D costs to the Government in the form of allowable overhead charges if NMI were to cease DU production operations immediately We have also provided this letter as an attachment.

2) The question regarding what percentage of total site remediation costs are attributed to non-Army contracts [illegible] been reviewed. In accordance with applicable Federal Acquisition Regulations (FAR's) we have performed a financial analysis of our strategic business plan for the next five years as a basis for determining the business relationship between government and commercial work. This analysis supports the fact that approximately 92% of the company's business over the next five years will be performed on government contracts, with the remaining 8% being commercial. Based on our January 1996, D&D estimate of approximately $11.6 MM less the $4.5 MM holding basin estimate specifically

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addressed as a government obligation in the Army Decision, there is a remaining estimated cost of approximately $7.1MM. Of this $7.1MM, a conservative estimate is to allocate approximately half of this remaining cost to government owned equipment and facilities. This government owned equipment is specifically addressed in the Army Decision as a government obligation. If all estimated remaining costs were not reduced prior to the need for these funds than the NMI portion today based on allocation to commercial work of 8% establishes the company's portion of these estimated costs to be approximately $285K which is covered by the existing letter of credit of $750K.

The company continues to believe that the appropriate apportionment is 96% government and 4% commerical based on the nature of past contractual work with the government and current knowledge of the contaminants of concern. The company plans to pursue this matter further with the Army and believes that its portion of these cost will be reduced by half .

3) For reasons that are explained further throughout this letter we believe that the $750K letter of credit that NMI currently has in place is adequate to cover NMI costs of decommissioning based on the best knowledge available today. The Army Decision document provides clearly the mechanism by which costs of ongoing evaluation and remediation work, not directly attributed to the holding basin removal and Government Furnished Equipment (GFE) and related facilities at the NMI site will be paid by the Army as allowed overhead costs on future government business. In Dr. Oscar's letter this point is further explained in which these overhead costs will be paid by the Army through "allowable overhead charges passed on to the Army in the contractor's prices in accordance with the FAR's cost principles."

As a matter of record we intend to instruct our financial institution to reissue our letter of credit, naming the Commonwealth of Massachusetts as beneficiary in accordance with Mr. Hehl's letter to us dated 26 December 1996. We will do this upon notification of the license authority transfer from the NRC to the state.

4) The current status of contract negotiations for the holding basin project is as follows. NMI submitted two detailed cost and pricing packages to the Army at Picatinny Arsenal, Dover, NJ in November 1996. In early December, NMI and the Army's negotiating team concluded that our $6.8 million turnkey proposal, which included the transportation and disposal of the holding basin materials at Envirocare of Utah, was the preferred approach. The Army's Contracting Officer provided the attached pre-contract cost authorization dated 10 December 1996, to proceed with our turnkey proposal but without funding. The intent of this letter was to allow NMI the ability to submit requests for local permits. NMI did submit permit requests to the Town of Concord Board of Appeals and Planning Board (Zoning) on 12/24/96.

We will be filing a permit with the Natural Resources Committee on the 21st of January. Once we receive a contract modification we will award the turnkey contract which will allow the chosen company to prepare the building permit application for the temporary enclosure to be submitted to the Concord Building Department

The Army is in the process of reviewing our detailed cost proposals along with their legal review. We have been advised that they expect to conclude contract negotiations by 1/31/97. As soon as ARDEC receives the funding from Washington they will modify our open contract DAAK10-81-C-0323 .

As a point of information, the Town of Concord, local permit hearings are now scheduled for February 11th (Planning Board) and February 27th (Board of Appeals)

5) You have asked for more information regarding our Decommissioning Cost Estimate (DCE). Our current belief is that the holding basin is the significant source term on the NMI property which has led to some localized ground water contamination on site. We have no indication at the current time that ground water leaving the site is contaminated. We are continuing with a systematic evaluation of our site with assistance from GZA, GeoEnvironmental (GZA) our Licensed Site Professional in concert with the Massachusetts Contingency Plan program. Included with this letter is the latest report from GZA, entitled Supplemental Phase II Field Investigation, dated December 1996. This report summarizes work to date and outlines further work to be completed. Additionally, through the cooperative work between the Mass. Department of Public Health, Radiological Control Program and the NRC Region I staff, off-site contamination from plant operations was reviewed in 1995. Based on the results of this study, it is unlikely at the present time to assume that there is a need to address off-site contamination of surface soils from past or ongoing activities at the site. Refer to your joint report to the NMI Soil Sampling Discussion Group, dated 13 December 1996.

Additional areas on site to be further evaluated include:
- additional sampling of the on site Sphagnum Bog (Cranberry Bog)
- localized areas of potential on site soil contamination from past activities
- underground piping (integrity) and soils immediately adjacent to these historic lines

We have asked for our consultants to provide us preliminary cost information relative to additional investigational activities planned for the above areas and have estimated a conservative cost to remediate these areas if necessary. These costs are now estimated at $430K . Using the same rationale described in Item 2 this $430K when apportioned (at 8%) yields approximately $35K in NMI costs with the balance ($396K) picked up by the government in approved overhead adjustments from continuing government business.

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In response to your questions involving excess DU inventory and copper we provide the following information for your review.

We currently have DU materials in inventory which are being used to fulfill both US Army and US DoE requirements. No significant excess inventory is kept at NMI. Additional government DU is obtained when needed to fulfill orders. If NMI contracts for government orders cease and excess inventory results, the DU as Government Furnished Material (GFM) we would ask the government for disposition instructions similarly to what is now done for GFE. We would receive appropriate funding at the time it was needed.
Small amounts of commercial DU, both in product and pre-product forms are kept in inventory to fulfill future expected orders. If needed this inventory could be sold to offset the cost of transfer or disposition.

Our current inventory of contaminated copper is about 90K lbs. or about 100C cubic feet. The commercial value if free release is obtained exceeds $100K. Disposition as a low level radioactive waste would be about $30K plus $10K in transportation. If we do not find a licensed customer for the material we may elect to dispose. After FAR approved overhead apportionment, cost to NMI would be about $4K.

Please note that at the time of the last revision of the DCE submitted 31 January 1996 the items discussed above (in #6) and their estimated costs were not included. When added to the earlier $11.6MM estimate, the DCE becomes approximately $12. 1MM.

The NMI portion of the DCE not covered by the Government directly (holding basin and GFM) or indirectly via overhead adjustments to future business is approximately $325K. The existing $750K available through the letter of credit appears to be sufficient to cover the NMI portion the DCE.

With the Army providing for the D&D costs described above and supported by the attachments, NMI believes that it has satisfied the requirements for financial assurance contained in 40CFR.36. Thank you for your assisstance in this matter.

Sincerely,

Frank J. Vumbaco

Frank J. Vumbaco
Vice President, Health and Safety

/enclosures

cc: w/enclosures

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