



**NUCLEAR FUEL SERVICES, INC.**

*a subsidiary of The Babcock & Wilcox Company*

■ 1205 banner hill road ■ erwin, tn 37650 ■ phone 423.743.9141  
■ www.nuclearfuelservices.com

21G-10-0139  
GOV-01-55-04  
ACF-10-0197  
July 14, 2010

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

Reference: Docket No. 70-143; SNM License 124

**Subject: Request to Release Performance Bond for BAST/KAST Equipment**

Pursuant to recent conversations with members of your staff, Nuclear Fuel Services, Inc. (NFS) is requesting that the NRC inform and direct ACSTAR Insurance Company (ACSTAR) to release Bond Number 00000463793 in the amount of \$525,000.00. Attachment A, a Bond Release form and a Status Report form provided by ACSTAR, must be executed, and the original forms must be returned to ACSTAR. As certified in Attachment B, the decommissioning work for which the bond had been established as financial assurance pursuant to the NRC regulations has been accomplished. After the bond obligation is released, a request to amend NRC License SNM-124 will follow to remove references to the KAST/BAST equipment and the associated financial assurance instruments.

All parties agree that the release of the referenced bond will terminate the need for the associated Standby Trust Agreement, Attachment C.

NFS would appreciate your prompt attention to this matter. If you or your staff have any questions, require additional information, or wish to discuss this, please contact me, or Mr. Rik Droke, Senior Regulatory Advisor, at (423) 743-1741. Please reference our unique document identification number (21G-10-0139) in any correspondence concerning this letter.

Sincerely,

**NUCLEAR FUEL SERVICES, INC.**

Mark P. Elliott, Director  
Quality, Safety, and Safeguards

DML/pdj  
Attachments

**nuclear fuel services, inc.**, a subsidiary of The Babcock & Wilcox Company

NM5501

Copy:

Regional Administrator  
U.S. Nuclear Regulatory Commission  
Region II  
245 Peachtree Center Ave., NE, Suite 1200  
Atlanta, GA 30303-1257

Mr. Manuel Crespo  
Project Inspector  
U.S. Nuclear Regulatory Commission  
Region II  
245 Peachtree Center Ave., NE, Suite 1200  
Atlanta, GA 30303

Mr. Kevin Ramsey  
Project Manager  
Fuel Manufacturing Branch  
Fuel Facility Licensing Directorate  
Division of Fuel Cycle Safety and Safeguards  
Office of Nuclear Material Safety and Safeguards  
U.S. Nuclear Regulatory Commission  
Washington, D.C. 20555

Mr. Galen Smith  
Senior Resident Inspector  
U.S. Nuclear Regulatory Commission

21G-10-0139  
GOV-01-55-04  
ACF-10-0197

**Attachment A**  
**ACSTAR Bond Release and Status Report**

**2 pages to follow**



233 MAIN STREET • P.O. BOX 2350 • NEW BRITAIN, CT 06050-2350 • (880) 224-2000

RETURN TO: ACSTAR Insurance Company
233 Main Street
New Britain, CT 06050

Please execute Bond Release as indicated below and return the original by mail and fax a copy of the executed Bond Release to ACSTAR at 860-229-1111.

BOND RELEASE

The undersigned by these presents, does for itself and its successors and assigns, unconditionally releases and discharges ACSTAR Insurance Company of and from all causes of action and all past and present claims and/or liability now or hereinafter arising under Bond No. 0000463793 in the amount of \$525,000.00 issued for Nuclear Fuel Services, Inc. This release shall cause this bond to be null and void and terminate any obligation of ACSTAR Insurance Company under the bond.

In witness whereof, the undersigned has caused these presents to be signed by its duly authorized agent of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Obligee: Nuclear Regulatory Commission

Witness

By \_\_\_\_\_ (Signature)

(Please print or type name)

(Please print or type name)

(Title)

(Telephone Number)

NOTARY

On this \_\_\_\_ day of \_\_\_\_\_, 2010, before me personally appeared \_\_\_\_\_, who acknowledged himself to be the \_\_\_\_\_ of \_\_\_\_\_, a corporation, and that he, being authorized to do so, executed the foregoing Release for the purposes therein contained by signing the name of the corporation by himself as \_\_\_\_\_.

Notary Public: \_\_\_\_\_

My Commission Expires: \_\_\_\_\_



233 MAIN STREET • P.O. BOX 2350 • NEW BRITAIN, CT 06050-2350 • (860) 224-7000

STATUS REPORT

<b>BOND NO:</b> 00000463793	<b>BOND AMOUNT:</b> \$525,000.00
<b>PRINCIPAL:</b> NUCLEAR FUEL SERVICES, INC.	
<b>OBLIGEE:</b> UNITED STATES NUCLEAR REGULATORY COMMISSION	
<b>DESCRIPTION:</b> PF BOND FOR US NUCLEAR REGULATORY COMMISSION RENEWAL PREM. RENEWAL PERIOD 9/30/07-9/30/08	

The ACSTAR Insurance Company is Surety on the above bond. Please provide the information requested below, and return the form directly to ACSTAR Insurance Company. Our FAX number is 860-229-1111. This will provide ACSTAR with current status information on the captioned job. Thank you for your assistance. Note: The date of acceptance is the date that the work was fully finished and satisfactory.

Yours very truly,

ACSTAR Insurance Company

CONTRACT HAS BEEN COMPLETED, ACCEPTED AND CONTRACTOR RELEASED:

1. What was the completion date? December 2008 Date Project Accepted? January 2009
2. What was the final contract price? No contract price. Work performed using in-house resources.  
Has full amount been paid? Not applicable per above.
3. Was the work satisfactory? Yes
4. Have all labor and material bills been paid? Yes

IF THE CONTRACT HAS NOT BEEN COMPLETED:

1. What percent of the work has been completed to date? \_\_\_\_\_
2. Total amount paid to the Contractor to date: \$ \_\_\_\_\_
3. What is the amount of the retainage withheld? \$ \_\_\_\_\_
4. Is the Contractor paying his labor and material bills? \_\_\_\_\_
5. What is the anticipated date of completion? \_\_\_\_\_
6. Is the work being accomplished and progressing satisfactorily? \_\_\_\_\_

Obligee: UNITED STATES NUCLEAR REGULATORY COMMISSION

By: \_\_\_\_\_  
(Name) (Title)

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

DOCUMENT CONTROL DESK  
WASHINGTON, DC 20555  
(301) 492-7335

21G-10-0139  
GOV-01-55-04  
ACF-10-0197

**Attachment B**  
**Decommissioning Certification for KAST/BAST Equipment**

1 page to follow



**NUCLEAR FUEL SERVICES, INC.**  
a subsidiary of The Babcock & Wilcox Company

• 1205 banner hill road • erwin, tn 37650 • tel: 423.743.9141  
• www.nuclearfuelservices.com

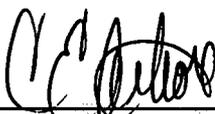
21T-09-0065  
GOV-01-55-04

---

**To:** B. M. Moore, Director, Safety and Regulatory  
**From:** C. E. Athon, Director, Applied Technology, Principal Scientist  
**Date:** January 30, 2009  
**Re:** Decommissioning Certification for KAST/BAST Equipment

---

I, C. E. Athon, hereby certify that the KAST/BAST equipment that is referenced in NRC License SNM-124, Chapter 7, Section 7.2.2, "NFS Financial Assurance for KAST/BAST Equipment" has been removed from Building 301 and properly dispositioned by NFS. This equipment no longer poses a decommissioning liability to NFS or the NRC.

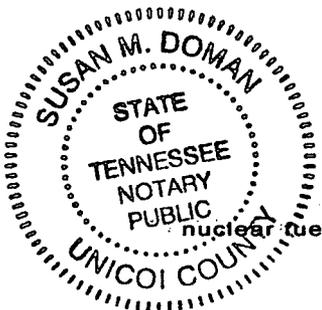
  
\_\_\_\_\_  
C. E. Athon  
Director, Applied Technology,  
Principal Scientist

1/30/09  
\_\_\_\_\_  
Date

I certify the above named person appeared before me and executed this document on this the 30 day of January, 2009.

  
\_\_\_\_\_  
Notary Public

My commission expires: March 5, 2012



21G-10-0139  
GOV-01-55-04  
ACF-10-0197

**Attachment C  
Standby Trust Agreement**

10 pages to follow

## STANDBY TRUST AGREEMENT

TRUST AGREEMENT, the Agreement entered into as of August 7, 1996, by and between Nuclear Fuel Services, Inc., a Maryland corporation, herein referred to as the "Grantor" or "NFS" and First Tennessee Bank, National Association, 2112 North Roan Street, Johnson City, Tennessee 37601, the "Trustee".

WHEREAS, the U.S. Nuclear Regulatory Commission (NRC), an agency of the U.S. Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 70. These regulations, applicable to the Grantor, require that a holder of, or an applicant for, a Part 70 license provide assurance that funds will be available when needed for required for decommissioning activities.

WHEREAS, the Grantor has elected to use a performance bond as described in Schedule B to provide certain financial assurance for the facilities identified herein; and

WHEREAS, when payment is made under the said performance bond, this standby trust shall be used for the receipt of such payment; and

WHEREAS, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this Agreement, and the Trustee is willing to act as trustee.

NOW, THEREFORE, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

- (a) The term "Grantor" means the NRC licensee who enters into this Agreement and any successors or assigns of the Grantor.
- (b) The term "Trustee" means the trustee who enters into this Agreement and any successor Trustee.

Section 2. Costs of Decommissioning. This Agreement pertains to the costs of decommissioning of certain capital equipment (referred to as "BAST" and "KAST" equipment) as identified in License Number SNM-124 issued pursuant to 10 CFR Part 70 as shown in Schedule A.

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a standby trust fund (the Fund) for the benefit of the NRC. The Grantor and the Trustee intend that no third party have access to the Fund except as provided herein.

Section 4. Payments Constituting the Fund. Payments made to the Trustee for the Fund shall consist of cash, securities, or other liquid assets acceptable to the Trustee. The Fund is established initially as consisting of the property, which is acceptable to the Trustee, described in

Schedule B attached hereto. Such Property and any other property subsequently transferred to the Trustee are referred to as the "Fund," together with all earnings and profits thereon, less any payment or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount of, or adequacy of the Fund, nor any duty to collect from the Grantor, any payments necessary to discharge any liabilities of the Grantor established by the NRC.

Section 5. Payment for Required Activities Specified in the Plan. The Trustee shall make payments from the Fund to the Grantor upon presentation to the Trustee of the following:

- a. A certificate duly executed by the Secretary of the Depositor attesting to the occurrence of the events, and in the form set forth in the attached Specimen Certificate, and
- b. A certificate attesting to the following conditions:
  - (1) that decommissioning is proceeding pursuant to an NRC-approved plan,
  - (2) that the funds withdrawn will be expended for activities undertaken pursuant to that Plan, and
  - (3) that the NRC has been given 30 days' prior notice of NFS' intent to withdraw funds from the escrow fund.

No withdrawal from the fund can exceed 20 percent of the outstanding balance of the Fund or 100,000.00 dollars, whichever is greater, unless NRC approval is attached.

In the event of the Grantor's default or inability to direct decommissioning activities, the Trustee shall make payments from the Fund as the NRC shall direct, in writing, to provide for the payment of the costs of required activities covered by this Agreement. The Trustee shall reimburse the Grantor or other persons as specified by the NRC, or State agency, from the Fund for expenditures for required activities in such amounts as the NRC, or State agency, shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as the NRC specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 6. Trust Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge its duties with respect to the Fund solely in the interest of the beneficiary and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

- a) Securities or other obligations of the Grantor, or any other owner or operator of the facilities, or any of their affiliates as defined in the Investment Company Act of 1940, as amended (15 U.S.C. 80a-2(a)), shall not be acquired or held, unless they are securities or other obligations of the Federal or a State Government;
- b) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the Federal Government, and in obligations of the Federal Government such as GNMA, FNMA and FHLM bonds and certificates or State and Municipal bonds rated BBB or higher by Standard and Poors or Baa or higher by Moody's Investment Services; and
- c) For a reasonable time, not to exceed 60 days, the Trustee is authorized to hold uninvested cash, awaiting investment or distribution, without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

- a) To transfer from time to time any or all of the assets of the fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and
- b) The purchase shares in any investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.), including one that may be created, managed, underwritten, or to which investment advice is rendered, or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Power of the Trustee. Without in any way limiting the powers and discretion conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

- a) To sell, exchange, convey, transfer, or other wise dispose of any property held by it, by public or private sale, as necessary to allow duly authorized withdrawals at the joint request of the Grantor and the NRC to reinvest in securities at the direction of the Grantor;
- b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;
- c) To register any securities held in the Fund in its own name, or in the name of a nominee, and to hold any security I bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, to reinvest interest payments and funds from

matured and redeemed instruments, to file proper forms concerning securities held in the Fund in a timely fashion with appropriate government agencies, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee or such depository with other securities deposited therein by another person or to deposit or arrange for the deposit of any securities issued by the U.S. Government, or any agency or instrumentality thereof, with a Federal Reserve Bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

- d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the Federal Government; and
- e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for the legal services rendered to the Trustee, the compensation of the Trustee and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Annual Valuation. After payment has been made into this standby trust fund, the Trustee shall annually, at least 30 days before the anniversary date of receipt of payment into the standby trust fund, furnish to the Grantor and to the NRC a statement confirming the value of the Trust. Any securities in the Fund shall be valued at market value as of no more than 60 days before the anniversary date of the establishment of the Fund. The failure of the Grantor to object in writing to the Trustee within 90 days after the statement has been furnished to the Grantor and the NRC, or State agency, shall constitute a conclusively binding assent by the Grantor, barring the grantor from asserting any claim or liability against the Trustee with respect to the matters disclosed in the statement.

Section 11. Advice of Counsel. The Trustee may from time to time consult with counsel with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting on the advice of counsel.

Section 12. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing with the Grantor. The Trustee shall have the right to charge its fee against the Trust in the event the Grantor does not pay it within 90 days of being invoiced. (See Schedule C.)

Section 13. Successor Trustee. Upon 90 days notice to the NRC, the Trustee may resign; upon 90 days notice to NRC and the Trustee, the Grantor may replace the Trustee; but such resignation or replacement shall not be effective until the Grantor has appointed a successor Trustee and this successor accepts the appointment. The successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor Trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor Trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee or for instructions. The successor Trustee shall specify the date on which it assumes administration of the trust in a writing sent to the Grantor, the NRC or State agency, and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this section shall be paid as provided in Section 9.

Section 14. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are signatories to this agreement or such other designees as the Grantor may designate in writing. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests or instructions. If the NRC or State agency issues orders, requests, or instructions to the Trustee, these shall be in writing, signed by the NRC, or State agency, or their designees, and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor, the NRC, or State agency, hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instruction from the Grantor and/or the NRC, or State agency, except as provided for herein.

Section 15. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor, the Trustee and the NRC, or State agency, or by the Trustee and the NRC or State agency, if the Grantor ceases to exist.

Section 16. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 15, this trust shall be irrevocable and shall continue until terminated at the written agreement of the Grantor, the Trustee, and the NRC or State agency, or by the Trustee and the NRC or State agency, if the Grantor ceases to exist. Upon termination of the trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor or its successor.

Section 17. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this trust, or in carrying out any directions by the Grantor, the NRC, or State agency, issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor or from the trust fund, or both, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 18. This Agreement shall be administered, construed and enforced according to the laws of the State of Tennessee.

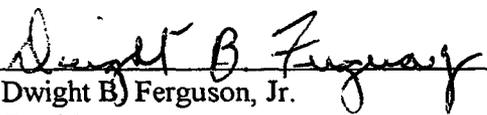
Section 19. Interpretation and Severability. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement. If any part of this Agreement is invalid, it shall not affect the remaining provisions which will remain valid and enforceable.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by the respective officers duly authorized and attested as of the date first written above.

ATTEST:

NUCLEAR FUEL SERVICES, INC.

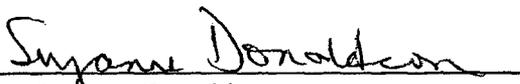
  
\_\_\_\_\_

  
By: Dwight B. Ferguson, Jr.  
President

ATTEST:

FIRST TENNESSEE BANK,  
NATIONAL ASSOCIATION

  
\_\_\_\_\_

  
By: Suzanne Donaldson  
Vice President  
Senior Trust Officer

**Specimen Certificate of Events**

First Tennessee Bank, National Association  
2112 North Roan Street  
Johnson City, TN 37601

Attention: Trust Division

Gentlemen:

In accordance with the terms of the Agreement with you dated August \_\_, 1996, I, \_\_\_\_\_, Secretary of Nuclear Fuel Services, Inc., hereby certify that the following events have occurred:

1. Nuclear Fuel Services, Inc. is required to commence the decommissioning (hereafter called the decommissioning) of the equipment covered by this Agreement located at Erwin, Tennessee.
2. The plans and procedures for the commencement and conduct of the decommissioning have been approved by the United States Nuclear Regulatory Commission, or its successor, on \_\_\_\_\_ (copy of approval attached).
3. The Board of Directors of NFS has adopted the attached resolution authorizing the commencement of the decommissioning.

\_\_\_\_\_  
Secretary  
NUCLEAR FUEL SERVICES, INC.

\_\_\_\_\_  
Date

**Schedule A**

This agreement demonstrates financial assurance for the following cost estimates for the following licensed activities:

Description of Equipment: Equipment formally referred to as "BAST" and KAST" equipment.

U.S. Nuclear Regulatory Commission License Number: SNM-124

Name and Address of Licensee: Nuclear Fuel Services, Inc.  
1205 Banner Hill Road  
Erwin, TN 37650

Address of Licensed Activity: Nuclear Fuel Services, Inc.  
1205 Banner Hill Road  
Erwin, TN 37650

Cost Estimates for Regulatory Assurance Demonstrated by this Agreement: \$525,000

**Schedule B**

**Amount:** \$525,000.00

**As Evidenced By:** Performance Bond issued by ACSTAR Insurance Company

**Schedule C**

**First Tennessee Bank, National Association, Trustee's fees shall be one-half of one percent annually (1/2%) of Trust balance as of January 1st of each year.**