



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-11-0138
GOV-01-55-04
ACF-11-0223

July 21, 2011

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

- Reference:
- 1) Docket No. 70-143; SNM License 124
 - 2) Letter from B. Marie Moore to NRC, dated December 1, 2009, (21G-09-0180), Updated Decommissioning Cost Estimate as Required by 10 CFR 70.25(e)
 - 3) Letter from David C. Ward to NRC, dated February 26, 2010, (21G-10-0029), Revision to the Updated Decommissioning Cost Estimate Submitted Per 10 CFR 70.25(e)
 - 4) Letter from NRC to Mark P. Elliott, dated July 27, 2010, (TAC No. L32974), Request for Additional Information Concerning Updated Decommissioning Cost Estimate
 - 5) Letter from Mark P. Elliott to NRC, dated September 23, 2010, Response to Request for Additional Information Concerning the Updated Decommissioning Cost Estimate Submitted Per 10 CFR 70.25(e)
 - 6) Letter from Mark P. Elliott to NRC, dated April 13, 2011, Supplemental Information to Support the Response to Request for Additional Information Concerning the Updated Decommissioning Cost Estimate Submitted Per 10 CFR 70.25(e)
 - 7) Letter from NRC to Mark P. Elliott, dated May 27, 2011, (TAC No. L32974), Interim Approval of Decommissioning Cost Estimate Amount

Subject: Request for Cancellation of Letter of Credit No. F842172 Issued by SunTrust Bank

Pursuant to recent conversations with members of your staff, and in response to RAI Question 6 (Reference 4), Compass Bank issued Amendment 2 to Letter of Credit No. A30271T, dated June 30, 2011 (Attachment 2). This amendment is intended to replace a previous Letter of Credit (No. F842172) issued by SunTrust Bank (Attachment 3). Therefore, Nuclear Fuel Services, Inc. (NFS) is requesting that the NRC proceed with cancellation of the previous Letter of Credit issued by SunTrust Bank.

NMS501

As outlined in the D&D Cost Estimate (References 5 and 6), the liability for the entire NFS site is split into three shares – DOE Liability, NFS Liability, and JV Liability. An overview of the NFS Liability category is included in Attachment 1, where the background information has been provided to support this request.

In order to complete the cancellation of the previous Letter of Credit, please return the original document to the following address, using the Bank's preferred format for the cover letter (Attachment 4):

SunTrust Bank
Mail Code: GA – Atlanta 3706
25 Park Place, 16th Floor
Atlanta, GA 30303

If you or your staff have any questions, require additional information, or wish to discuss this, please contact me, or Ms. Jennifer Wheeler, Licensing and ISA Manager, at (423) 735-5429. Please reference our unique document identification number (21G-11-0138) in any correspondence concerning this letter.

Sincerely,

NUCLEAR FUEL SERVICES, INC.

A handwritten signature in black ink, appearing to read "Mark P. Elliott", with a stylized flourish at the end.

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

JKW/pdj

- Attachment 1: Overview of NFS Liability Category in D&D Cost Estimate
- Attachment 2: Letter of Credit No. A30271T, Amendment 2, issued by Compass Bank
- Attachment 3: Letter of Credit No. F842172, issued by SunTrust Bank
- Attachment 4: Cover Letter Template for SunTrust Bank

Copy:

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

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

Mr. Kevin Ramsey
Senior 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

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ATTACHMENT 1

Overview of NFS Liability Category in D&D Cost Estimate (1 page to follow)

**OVERVIEW OF NFS LIABILITY CATEGORY
 IN D&D COST ESTIMATE**

On October 23, 2003, NFS submitted a cost estimate supplement that identified a shared responsibility for future decommissioning of processing equipment installed in Building 333, also known as the Blended Low Enriched Uranium (BLEU) Preparation Facility, or BPF. NFS is responsible for decommissioning costs associated with process operations involving uranium metal. The U.S. Department of Energy, National Nuclear Security Administration, Office of Fissile Materials Disposition (DOE/NNSA/OFMD), through subcontractors Tennessee Valley Authority (TVA) and AREVA, is responsible for decommissioning costs associated with process operations involving uranium aluminum and uranium oxides.

NFS provided financial assurance in the form of SunTrust Bank Letter of Credit No. F842172, submitted to NRC on November 21, 2003. DOE/NNSA/OFMD provided financial assurance in the form of a government statement of intent, dated October 20, 2003. NRC accepted the financial assurance provided by NFS through approval of Amendment 47; and NRC accepted the statement of intent provided by DOE/NNSA/OFMD through approval of Amendment 45.

Building 311 was constructed in 2005 to store high enriched uranium (HEU) materials in support of BPF operations. DOE/NNSA/OFMD provided financial assurance in the form of an updated government statement of intent, dated March 14, 2005. NRC accepted the financial assurance provided by DOE/NNSA/OFMD through a letter dated April 27, 2005.

The following table illustrates how the NFS Liability category in the D&D Cost Estimate is shared.

NFS Liability Category in D&D Cost Estimate Cost Sharing Summary			
	Building Number	Financial Assurance Instrument	Dollar Value
NFS	301 (Equipment) 333 (U Metal Equipment) 440 (Building and Equipment)	Compass Bank Letter of Credit No. A30271T, Amendment 2, dated 6/30/2011	\$9,776,000
DOE/NNSA	311 (Building and Equipment) 333 (U Aluminum, U Oxide Equipment)	Updated government statement of intent (in progress, to be submitted under separate cover letter)	\$6,789,000
Total NFS Liability			\$16,565,000

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ATTACHMENT 2

Letter of Credit No. A30271T, Amendment 2, issued by Compass Bank
(1 page to follow)

AMENDMENT TO LETTER OF CREDIT NO. A30271T

JUNE 30, 2011

APPLICANT:

**NUCLEAR FUEL SERVICES, INC. ("NFS")
1205 BANNER HILL ROAD
ERWIN, TENNESSEE 37650**

BENEFICIARY:

**U.S. NUCLEAR REGULATORY COMMISSION
11545 ROCKVILLE PIKE
ROCKVILLE, MD 20852-2738**

RE: NRC LICENSE NO. SNM-124, DOCKET NO. 70-143

AMENDMENT NO.: TWO (2)

GENTLEMEN:

PLEASE BE ADVISED THAT THE SUBJECT LETTER OF CREDIT HAS BEEN AMENDED AS FOLLOWS:

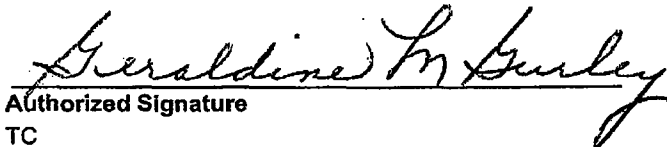
INCREASE THE AMOUNT OF THE LETTER OF CREDIT BY USD2,550,363.00 (TWO MILLION FIVE HUNDRED FIFTY THOUSAND THREE HUNDRED SIXTY-THREE AND 00/100 UNITED STATES DOLLARS) TO A NEW TOTAL AMOUNT OF USD9,776,000.00 (NINE MILLION SEVEN HUNDRED SEVENTY-SIX THOUSAND AND 00/100 UNITED STATES DOLLARS).

THIS AMENDMENT IS TO BE CONSIDERED AS PART OF THE ABOVE CREDIT AND MUST BE ATTACHED THERETO.

ALL OTHER TERMS AND CONDITIONS OF THE CREDIT REMAIN UNCHANGED.

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS 2007 REVISION, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600.

COMPASS BANK


Authorized Signature
TC

COPY

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ATTACHMENT 3

Letter of Credit No. F842172, issued by SunTrust Bank
(3 pages to follow)

SUNTRUST

IRREVOCABLE LETTER OF CREDIT F842172 PAGE 1

LETTER OF CREDIT NUMBER: F842172
ISSUANCE DATE: NOVEMBER 19, 2003

APPLICANT:
NUCLEAR FUEL SERVICES, INC.
ATTN: DAN MILLER
1205 BANNER HILL ROAD
ERWIN, TN 37650

BENEFICIARY:
UNITED STATES NUCLEAR REGULATORY
COMMISSION
WASHINGTON, DC 20555

FOR USD 594,613.00
(FIVE HUNDRED NINETY FOUR THOUSAND SIX HUNDRED THIRTEEN 00/100
U.S. DOLLARS)

DATE OF EXPIRATION: NOVEMBER 14, 2004
PLACE OF EXPIRATION: AT OUR COUNTERS

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO.
F842172 IN YOUR FAVOR BY ORDER OF NUCLEAR FUEL SERVICES,
INC., 1205 BANNER HILL RD., ERWIN, TN 37650 NRC LICENSE NO.
SNM-124 UP TO AN AGGREGATE AMOUNT OF \$594,613.00 AVAILABLE
UPON PRESENTATION OF:

- 1) YOUR SIGHT DRAFT, BEARING REFERENCE TO THIS LETTER OF CREDIT
NUMBER F842172 AND
- 2) A STATEMENT PURPORTEDLY SIGNED BY YOURSELF READING AS
FOLLOWS:

"I CERTIFY THAT THE AMOUNT OF THE DRAFT IS PAYABLE PURSUANT
TO REGULATIONS ISSUED UNDER AUTHORITY OF THE U.S. NUCLEAR
REGULATORY COMMISSION."

THIS LETTER OF CREDIT IS ISSUED IN ACCORDANCE WITH REGULATIONS
ISSUED UNDER THE AUTHORITY OF 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. THE NRC HAS PROMULGATED
REGULATIONS IN TITLE 10, CHAPTER I OF THE CODE OF FEDERAL

SUNTRUST

IRREVOCABLE LETTER OF CREDIT FB42172 PAGE 2
REGULATIONS, PART 70, WHICH REQUIRE THAT A HOLDER OF, OR AN
APPLICANT FOR, A MATERIALS LICENSE ISSUED UNDER 10 CFR PART
70, PROVIDE ASSURANCE THAT FUNDS WILL BE AVAILABLE WHEN NEEDED
FOR DECOMMISSIONING.

THIS LETTER OF CREDIT IS EFFECTIVE AS OF NOVEMBER 14, 2003 AND
SHALL EXPIRE ON NOVEMBER 14, 2004, BUT SUCH EXPIRATION SHALL BE
AUTOMATICALLY EXTENDED FOR A PERIOD OF ONE YEAR ON NOVEMBER
14, 2004 AND ON EACH SUCCESSIVE EXPIRATION DATE, UNLESS, AT
LEAST 90 DAYS BEFORE THE CURRENT EXPIRATION DATE, WE NOTIFY
YOU AND NUCLEAR FUEL SERVICES, BY CERTIFIED MAIL, AS SHOWN ON
THE SIGNED RETURN RECEIPTS. IF NUCLEAR FUEL SERVICES IS
UNABLE TO SECURE ALTERNATIVE FINANCIAL ASSURANCE TO
REPLACE THIS LETTER OF CREDIT WITHIN 30 DAYS OF OUR
NOTIFICATION OF CANCELLATION, THE NRC MAY DRAW UPON
THE FULL VALUE OF THE LETTER OF CREDIT PRIOR TO CANCELLATION.
THE BANK SHALL GIVE IMMEDIATE NOTICE TO NUCLEAR FUEL SERVICES,
INC. AND THE NRC OF ANY NOTICE RECEIVED OR ACTION FILED ALLEGING
(1) THE INSOLVENCY OR BANKRUPTCY OF THE BANK OR (2) ANY VIOLATION
OF REGULATORY REQUIREMENTS THAT COULD RESULT IN SUSPENSION OR
REVOCATION OF THE BANK'S CHARTER OR LICENSE TO DO BUSINESS.
THE BANK ALSO SHALL GIVE IMMEDIATE NOTICE IF IT FOR ANY
REASON, BECOMES UNABLE TO FULFILL ITS OBLIGATION UNDER
THIS LETTER OF CREDIT.

WHENEVER THIS LETTER OF CREDIT IS DRAWN ON, UNDER AND IN
COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT, WE
SHALL DULY HONOR SUCH DRAFT UPON PRESENTATION TO US
WITHIN 30 DAYS, AND WE SHALL DEPOSIT THE AMOUNT OF THE
DRAFT DIRECTLY INTO THE STANDBY TRUST FUND OF NUCLEAR
FUEL SERVICES IN ACCORDANCE WITH YOUR INSTRUCTIONS.

EACH DRAFT MUST BEAR ON ITS FACE THE CLAUSE: "DRAWN UNDER
LETTER OF CREDIT NO. FB42172, DATED NOVEMBER 14, 2003 AND
THE TOTAL OF THIS DRAFT AND ALL OTHER DRAFTS PREVIOUSLY
DRAWN UNDER THIS LETTER OF CREDIT DOES NOT EXCEED
USD \$594,613.00."

THIS LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS
AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION),
PUBLISHED BY THE INTERNATIONAL CHAMBER OF COMMERCE
PUBLICATION 500.

CONTINUED ON NEXT PAGE

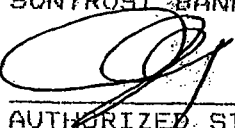
SUNTRUST

IRREVOCABLE LETTER OF CREDIT F842172

PAGE 3

SINCERELY,

SUNTRUST BANK



AUTHORIZED SIGNATURE

JON CONLEY, VP
MANAGER, STANDBY LETTERS OF CREDIT
VICE PRESIDENT

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GOV-01-55-04
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ATTACHMENT 4

Cover Letter Template for SunTrust Bank
(1 page to follow)

[United States Nuclear Regulatory Commission Letterhead]

[Date]

SunTrust Bank
Mail Code: GA-Atlanta 3706
25 Park Place, 16th Floor
Atlanta, GA 30303

Attn: Standby Letter of Credit Department

RE: Early Cancellation of Standby Letter of Credit #F842172

Dear Sir:

Please find enclosed the original standby letter of credit #F842172, which we, the beneficiary under the standby letter of credit, are returning to you for immediate and irrevocable cancellation, as the instrument is no longer needed.

[Name]

[Title]

United States Nuclear Regulatory Commission