



Nuclear Regulatory Commission
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Admitted: 12/15/2011
 Rejected:

Withdrawn:
 Stricken:

Honeywell

HNY000007
 10/14/2011

Specialty Materials

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May 15, 2008

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Docket No. 40-3392
 License No. SUB-526

Subject: HONEYWELL METROPOLIS WORKS – REQUEST FOR EXTENSION OF EXEMPTION FROM DECOMMISSIONING FINANCIAL ASSURANCE REQUIREMENTS

- References:
1. Letter dated April 11, 2008, from M. Tillman (Honeywell International, Inc.) to NRC, requesting an extension of the exemption from financial test requirements related to the self-guarantee form of financial assurance contained in License Condition 27 in License No. SUB-526.
 2. Letter dated May 11, 2007, from G. Janosko (NRC) to D. Edwards (Honeywell International, Inc.) issuing renewed License No. SUB-526 and incorporating exemption from decommissioning financial assurance requirements in License Condition 27.
 3. Letter dated December 1, 2006 from J. Tus (Honeywell International, Inc.) to Director, Office of Nuclear Material Safety and Safeguards (NRC), "Request for Exemption from Decommissioning Financial Assurance Requirements."

In Reference 1, Honeywell International, Inc. (Honeywell) requested an extension of the exemption previously granted by the Nuclear Regulatory Commission (NRC) in Reference 2 for the Metropolis, Illinois uranium conversion facility. In Reference 2 the NRC incorporated a one-year exemption from a portion of the financial test in 10 C.F.R. Part 30, Appendix C, for the self-guarantee form of decommissioning financial assurance in License Condition 27 in License No. SUB-526, the renewed license for the Metropolis facility. The financial test in Part 30, Appendix C would otherwise require that Honeywell's year-end tangible net worth be equal to at least ten times its total decommissioning liabilities. The exemption permits Honeywell to include goodwill in the determination of tangible net worth for purposes of the ratio test. Honeywell requested in Reference 1 that the NRC extend the exemption until the earlier to occur

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of (1) May 11, 2009 or (2) the effective date of a final rule amending 10 CFR Part 30 consistent with the proposed rule published in the Federal Register on January 22, 2008.

On March 24, 2008, Honeywell filed with the NRC a letter in support of its use of the self-guarantee financial test for the fiscal year ended December 31, 2007. In that letter Honeywell demonstrated that its net worth, as measured in accordance with the exemption, was more than 10 times its current decommissioning cost estimates. Specifically, Honeywell verified that as of the close of the fiscal year ended December 31, 2007, the company is a going concern, and that it possesses positive net worth in the amount of \$7,724,000,000, comprised of negative tangible net worth in the amount of \$(1,451,000,000) and goodwill in the amount of \$9,175,000,000. This compares to a total decommissioning liability of \$224,440,898.

On May 8, 2008, Honeywell and NRC had a teleconference to discuss the exemption extension requested in Reference 1. Honeywell explained that, as previously discussed in Reference 3, Honeywell is a diversified manufacturing and technology company that grows and diversifies by a strategy of acquisitions. The value of many of its business activities is reflected in goodwill as well as other forms of intangible assets such as patents, know how and brand recognition. These assets are subject to annual audit and an impairment test required by financial accounting standards. In particular, goodwill and other intangible assets are a measure of financial strength, not weakness. Based on the teleconference the NRC requested additional docketed information on the financial status of Honeywell, particularly in view of the negative tangible net worth.

As displayed in the reconciliation below, during 2007 Honeywell's tangible net worth went down by \$1,521 million due to an increase in intangible assets (goodwill of \$772 million and other intangible assets- net of \$251 million) resulting from \$1,190 million of business acquisitions in 2007, as well as repurchases of Honeywell stock that resulted in a net decrease in shareowners' equity of \$498 million.

Tangible Net Worth/ (Deficit) (TNW/TND)
(dollars in millions)

TNW at December 31, 2006	\$	70
(Increase) in Intangible Assets due to Business Acquisitions		
Goodwill		(772)
Other Intangible Assets- net		(251)
Decrease in Total Shareowners' Equity		<u>(498)</u>
TND at December 31, 2007	\$	<u>(1,451)</u>

While Honeywell's tangible net worth went down during 2007, it did not negatively impact Honeywell's financial performance that resulted in a 36% increase in Honeywell's share price in 2007, making Honeywell the number one performing stock in the Dow Jones Industrial Average.

Enclosed is Honeywell's 2007 financial report. As described in that report, during 2007 Honeywell increased sales by 10% to \$34.5 billion, increased earnings by 17% to \$2.4 billion (and earnings per share by 25% to \$3.16 per share), and increased free cash flow (cash flow from operations less capital expenditures) by nearly \$700 million to \$3.1 billion.

As displayed in the reconciliation below, in the first quarter of 2008 Honeywell's tangible net deficit went down by \$344 million due to a net increase in intangible assets (an increase in goodwill of \$76 million net of a decrease in other intangible assets- net of \$6 million), principally resulting from \$55 million of business acquisitions in the first quarter of 2008, as well as first quarter net income of \$642 million that principally drove the net increase in shareowners' equity of \$414 million.

Tangible Net (Deficit) (TND)
(dollars in millions)

TND at December 31, 2007	\$	(1,451)
(Increase)/Decrease in Intangible assets due to Business Acquisitions		
Goodwill		(76)
Other Intangible Assets- net		6
Increase in Total Shareowners' Equity		<u>414</u>
TND at March 31, 2008	\$	<u>(1,107)</u>

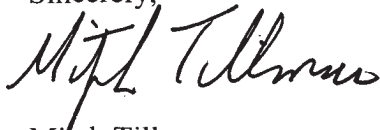
Also enclosed is Honeywell's first quarter 2008 Form 10-Q. As described there, Honeywell's strong financial performance continued. Honeywell increased first quarter sales by 11% to \$8.9 billion, increased earnings by 22% to \$643 million (and increased earnings per share by 30% to \$0.85 per share), and increased free cash flow (cash flow from operations less capital expenditures) by \$113 million to \$571 million. Honeywell maintains total assets in the United States of \$21,964,000,000.

Throughout 2007 and 2008, Honeywell also maintained its A and A2 long-term credit ratings with Standard and Poor's and Moody's Investors Service, respectively.

As reflected in its correspondence to the NRC of March 24, 2008, Honeywell has provided a self-guarantee for the decommissioning of the Metropolis facility. The current cost estimate for decommissioning the facility is \$156,440,898, and Honeywell has a total decommissioning obligation covered by guarantees or financial tests of other Federal or State agencies of \$224,440,898. Based on its financial position as of March 31, 2008, Honeywell remains a going concern, and possesses positive net worth in the amount of \$8,144,000,000, comprised of negative tangible net worth in the amount of \$(1,107,000,000) and goodwill in the amount of \$9,251,000,000.

We trust that this information responds to the questions raised during the teleconference of May 8, 2008. Honeywell remains fully committed to providing financial assurance for decommissioning. In view of the financial strength of the company, the requested exemption extension is fully appropriate.

Sincerely,



Mitch Tillman
Plant Manager

Attachment

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