



Nuclear Regulatory Commission
 Exhibit # - HNY000040-00-BD01
 Docket # - 04003392
 Identified: 12/15/2011

Admitted: 12/15/2011 withdrawn:
 Rejected: Stricken:

HNY000040
 10/14/2011

Honeywell

Specialty Materials

Honeywell
 P.O. Box 430
 2768 North US 45 Road
 Metropolis, IL 62960

March 8, 2011

Attn: Document Control Desk
 Director, Office of Nuclear Material Safety Safeguards
 U.S. Nuclear Regulatory Commission
 Washington, DC 20555-0001

References:

1. Letter from M Tillman, Plant Manager, Metropolis Works, Honeywell International, to Director, Nuclear Material Safety and Safeguards, NRC, regarding a request for an extension of the exemption from decommissioning funding requirements, dated April 1, 2009.
2. Letter from D Dorman, Director, Division of Fuel Cycle Safety and Safeguards, Office of Nuclear Material Safety and Safeguards, to D Cope, Plant Manager, Metropolis Works, Honeywell International, dated December 11, 2009.
3. "Technical Evaluation Report for the Renewal of Source Materials License Sub-526 for Honeywell Metropolis Works UF6 Conversion Plant, Metropolis, Illinois," dated May 11, 2007.

In accordance with 10 C.F.R. § 40.14, "Specific Exemptions," and 10 C.F.R. § 30.11, "Specific Exemptions," Honeywell requested an extension of the exemption granted from certain provisions of 10 C.F.R. § 40.36, "Financial assurance and recordkeeping for decommissioning," paragraph (e), and 10 C.F.R. Part 30, Appendix C, "Criteria Relating to Use of Financial Tests and Self-Guarantees for Providing Reasonable Assurance for Decommissioning Funding" for its Metropolis Works facility ("MTW") in Metropolis, Illinois (Reference 1).

Although the NRC granted similar requests in 2007 and 2008, the NRC initially denied the license amendment request in a letter dated December 11, 2009 (Reference 2). Honeywell appealed the NRC's decision to deny the license amendment to the U.S. Court of Appeals for the District of Columbia Circuit. The Court found that the NRC's decision denying the amendment was inconsistent with its precedent addressing Honeywell's prior exemption requests. The Court also found that the NRC's explanation for its denial in the December 11, 2009 letter was inadequate. The Court explained that the fact that Honeywell's tangible net worth declined does not provide a reasonable basis to distinguish the 2009 decision because Honeywell's tangible net worth was declining when it granted the 2007 and 2008 exemptions. The Court noted that the fact that Honeywell had a negative tangible net worth in 2009 cannot serve as the basis for the denial because its 2008 tangible net worth was also negative. The

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Court also reasoned that a proposed rule requiring a licensee to have \$19 million in tangible net worth before allowing consideration of goodwill was irrelevant as the governing regulations have remained unchanged since Honeywell received its exemption in 2007. Accordingly, the Court vacated the NRC's December 11, 2009 denial, and remanded Honeywell's April 11, 2009 exemption request to the NRC for further proceedings.

As a result of the Court's action, the NRC is currently considering how best to proceed with respect to the remanded April 1, 2009 exemption request. Honeywell, however, must take action now to ensure that appropriate financial assurance mechanisms remain available. The current surety bond used by Honeywell to provide decommissioning funding assurance expires on April 9, 2011. Honeywell therefore is submitting the documentation necessary to support reinstatement of the self-guarantee using the alternate financial test. As the NRC noted in the Technical Evaluation Report (Reference 3) first authorizing use of the alternate financial test, Honeywell may continue to rely on the exemption so long as it has re-applied for the exemption "30 days prior to the expiration." Because Honeywell submitted the still-pending exemption request on April 1, 2009, and because that date was more than 30 days prior to the expiration date of the exemption (May 11, 2009), the exemption remains effective.

Honeywell requests that the NRC reinstate the self-guarantee prior to the expiration of the surety bond currently used to provide decommissioning financial assurance.¹ The language and format of the enclosed self-guarantee is substantially similar to that approved by the NRC previously. The only changes are those necessary to reflect the updated decommissioning cost estimate and the status of the exemption (footnote 1 of the Self-Guarantee). Based on prior NRC reviews of Honeywell's proposed decommissioning funding instruments, the use of previously-approved self-guarantee language, and submittal 30 days prior to expiration of the current surety bond, Honeywell is requesting that the NRC complete its review before April 9, 2011.

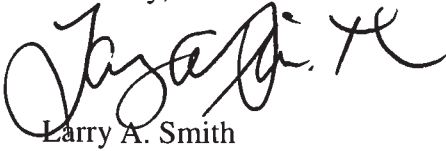
This request does not depend on the timing of the NRC's decision on the pending April 1, 2009 license amendment request. If the NRC ultimately grants the license amendment, then the reinstated self-guarantee would simply remain in place. If the NRC denies the license amendment, Honeywell would then have 120 days to put in place an alternate financial assurance mechanism.

¹ As the attachments demonstrate, Honeywell is eligible to use a self-guarantee using the alternate financial test. The financial test data necessary to support the self-guarantee demonstrates that Honeywell remains well-qualified to provide decommissioning financial assurance. All of the key financial indicators show improving trends for the second straight year. Specifically, net worth, tangible net worth, and goodwill have improved relative to end-of-year 2008 numbers. As a result, the financial test ratios (under both the traditional and the alternate tests) improved for the second straight year. More importantly, Honeywell now has total assets in the United States of \$24.6 billion and generated free cash in excess of \$3.5 billion during 2010. Honeywell has also maintained its A (Standard and Poor's) and A2 (Moody's) bond ratings.

Honeywell also intends to submit a new, updated request for an exemption from relevant provisions of 10 C.F.R. § 40.36, "Financial assurance and recordkeeping for decommissioning," paragraph (e), and 10 C.F.R. Part 30, Appendix C, "Criteria Relating to Use of Financial Tests and Self-Guarantees for Providing Reasonable Assurance for Decommissioning Funding," once the NRC completes its review of the pending request. As the Court of the Appeals for the D.C. Circuit noted in its decision, "another exemption request would be pointless until the Commission adequately explains the reasons for rejecting Honeywell's third request." That license amendment request will be based on the end-of-2010 financial data presented in the supporting documentation for the self-guarantee. Honeywell has scheduled a pre-application meeting with the NRC on March 14, 2011, and will provide additional details on the request at that time.

If you or your staff have any questions or require further information, please contact Mr. Michael Greeno, Regulatory Affairs Manager, at 618-309-5005.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry A. Smith", with a stylized flourish at the end.

Larry A. Smith
Plant Manager

Enclosures

1. Self-Guarantee
2. CFO Letter (with financial test information)
3. Certification of Financial Assurance

Honeywell
P.O. Box 1219
Morristown, NJ 07962-1219

SELF-GUARANTEE

Guarantee made this March 7, 2011, by Honeywell International Inc. (Honeywell), a corporation organized under the laws of the State of Delaware, herein referred to as "guarantor," to the U.S. Nuclear Regulatory Commission (NRC), beneficiary, on behalf of ourselves as licensee.

Recitals

1. The guarantor has full authority and capacity to enter into this self-guarantee under its bylaws, articles of incorporation, and the laws of the State of Delaware, its State of incorporation. Guarantor has approval from its Board of Directors to enter into this self-guarantee.
2. This self-guarantee is being issued to comply with regulations issued by 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. NRC has promulgated regulations in title 10, Chapter I of the *Code of Federal Regulations*, Part 40, which require that a holder of, or an applicant for, a materials license issued pursuant to 10 CFR Part 40 provide assurance that funds will be available when needed for required decommissioning activities.
3. The self-guarantee is issued to provide financial assurance for decommissioning activities for Honeywell Metropolis Works, 2768 North US 45 Rd., Metropolis, Illinois, NRC License No. SUB-526, as required by 10 CFR Part 40. The decommissioning costs for these activities are as follows:
 - (a) \$186,610,047 based on a site reclamation cost estimate submitted to the NRC on January 8, 2010, and approved in a letter from Marissa G. Bailey, NRC, to Larry Smith, Plant Manager, Honeywell, dated September 16, 2010 (ADAMS Accession No. ML102170174).
4. The guarantor meets the following financial test criteria for a self-guarantee and agrees to comply with all notification requirements as specified in 10 CFR Part 40, Appendix C to 10 CFR Part 30, and NRC License SUB-526:
 - (a) The sum of tangible net worth plus goodwill at least 10 times the current decommissioning cost estimates for all decommissioning activities for which the company is responsible as a self-guaranteeing licensee and as a parent-guarantor.¹

¹ This test differs from that in 10 CFR Part 30, Appendix C, in that the sum of tangible net worth plus goodwill (rather than tangible net worth only) must be at least 10 times the current decommissioning cost estimate. This test is based on an alternate financial test contained in Honeywell's December 1, 2006 request for an exemption from the NRC's decommissioning funding assurance requirements. That exemption request was approved as License Condition 27 in SUB-526, which was issued on May 11, 2007. The exemption was subsequently extended to May 11, 2009. See Ltr. from D Dorman, NRC, to M Tillman, Honeywell, dated August 22, 2008. Honeywell subsequently sought an additional extension of the exemption. See Ltr. from M. Tillman, Honeywell, to Director, NMSS, dated April 1, 2009. That request remains pending.

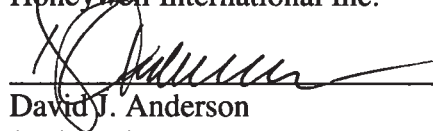
- (b) Assets located in the United States amounting to at least 90 percent of total assets or at least 10 times the current decommissioning cost estimates for all decommissioning activities for which the company is responsible as a self-guaranteeing licensee and as a parent-guarantor; and
 - (c) At least one class of equity securities registered under the Securities Exchange Act of 1934; and
 - (d) A current rating for its most recent bond issuance of AAA, AA, or A as issued by Standard & Poor's, or Aaa, Aa, or A as issued by Moody's.
- 5. The guarantor does not have a parent company holding majority control of its voting stock.
- 6. Decommissioning activities as used below refer to the activities required by 10 CFR Part 40 for decommissioning of the facilities identified above.
- 7. Pursuant to the guarantor's authority to enter into this guarantee, the guarantor guarantees to NRC that the guarantor shall
 - (a) carry out the required decommissioning activities, as required by NRC License No. SUB-526 or
 - (b) set up a trust fund in favor of the above identified beneficiary in the amount of the current cost estimates for these activities.
- 8. The guarantor agrees to perform the financial test in Appendix C to 10 CFR Part 30, as amended in Recital 4, within 90 days of the close of the fiscal year. In accordance with License Condition 26, Honeywell will submit revised financial statements, financial test data, and an auditor's special report and reconciling schedule to the NRC annually within 120 days of the close of each fiscal year.
- 9. The guarantor agrees that if, in performing the financial test in Recital 8, it fails to meet the self-guarantee financial test criteria identified in Recital 4, it shall send, by certified mail, immediate notice to NRC that it intends to provide alternative financial assurance as specified in 10 CFR Part 40. Within 120 days of such notice, the guarantor shall establish such financial assurance.
- 10. The guarantor also agrees to notify the beneficiary promptly if the ownership of the licensed activity is transferred, and to maintain this guarantee until the new licensee provides alternative financial assurance acceptable to the beneficiary.
- 11. The guarantor agrees that if it determines, at any time other than as described in Recital 9, that it no longer meets the self-guarantee financial test criteria or it is disallowed from continuing as a self-guarantor, it shall establish alternative financial assurance as specified in 10 CFR Part 30, 40, 70, or 72, as applicable, within 120 days.

12. The guarantor, as well as its successors and assigns, agrees to remain bound jointly and severally under this guarantee notwithstanding any or all of the following: amendment or modification of the license or NRC-approved decommissioning funding plan for that facility, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of the licensee pursuant to 10 CFR Part 40.
13. The guarantor agrees that it shall be liable for all litigation costs incurred by the beneficiary, NRC, in any successful effort to enforce the agreement against the guarantor.
14. The guarantor agrees to remain bound under this self-guarantee for as long as it, as licensee, must comply with the applicable financial assurance requirements of 10 CFR Part 40, for the previously listed facilities, except that the guarantor may cancel this self-guarantee by sending notice by certified mail to NRC, such cancellation to become effective no earlier than 120 days after receipt of such notice by NRC, as evidenced by the return receipt.
15. The guarantor agrees that if it, as licensee, fails to provide alternative financial assurance as specified in 10 CFR Part 40, as applicable, and obtain written approval of such assurance from NRC within 90 days after a notice of cancellation by the guarantor is received by NRC from the guarantor, the guarantor shall make full payment under the self-guarantee.
16. The guarantor expressly waives notice of acceptance of this self-guarantee by NRC. The guarantor also expressly waives notice of amendments or modifications of the decommissioning requirements.
17. If the guarantor files financial reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to its independent auditor and to NRC during each year in which this self-guarantee is in effect.
18. The guarantor agrees that if, at any time before termination of this self-guarantee, its most recent bond issuance ceases to be rated in the category of "A" or above by either Standard & Poor's or Moody's, it shall provide notice in writing of such fact to NRC within 20 days after publication of the change by the rating service.

I hereby certify that this self-guarantee is true and correct to the best of my knowledge.

Effective date: March 7, 2011

Honeywell International Inc.



David J. Anderson
Senior Vice President and Chief Financial Officer

Signature of witness or notary: Bernard O'Leary

Honeywell
P.O. Box 1219
Morristown, NJ 07962-1219

March 7, 2011

ATTN: Document Control Desk
Director, Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Subject: HONEYWELL METROPOLIS WORKS (DOCKET NO. 40-3392)

I am the Chief Financial Officer of Honeywell International Inc. (Honeywell), 101 Columbia Road, Morristown, New Jersey, a corporation. This letter is in support of this firm's use of the self-guarantee financial test to demonstrate financial assurance, as specified in 10 CFR Part 40. This firm has no parent company holding majority control of its voting stock.

This firm guarantees, through the self-guarantee submitted to demonstrate compliance under 10 CFR Part 40, the decommissioning of the following facilities owned or operated by this firm. The current cost estimates or certified amounts for decommissioning, so guaranteed, are shown for each facility:

Honeywell Metropolis Works
2768 North US 45 Rd.
Metropolis, Illinois
NRC License No. SUB-526

Cost Estimate: \$186,610,047

I hereby certify that Honeywell is currently a going concern, and that it possesses positive net worth in the amount of \$8,213,000,000 comprised of negative tangible net worth in the amount of \$(3,384,000,000) and goodwill in the amount of \$11,597,000,000.

This fiscal year of this firm ends on December 31st. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements and footnotes for the latest completed fiscal year, ended December 31, 2010. A copy of this firm's most recent financial statements is enclosed.

This firm is required to file a Form 10-K with the U.S. Securities and Exchange Commission for the latest fiscal year. This firm has at least one class of equity securities registered under the Securities Exchange Act of 1934.

This firm does satisfy the following self-guarantee test:

Honeywell International Inc. (the Company) – NRC Financial Assurance Test
For Year-End December 31, 2010

1.	Current decommissioning cost estimates or certified amounts		
	a. Decommissioning amounts covered by this self-guarantee		\$186,610,047
	b. All decommissioning amounts covered by other NRC or Agreement State parent company guarantees or self-guarantees		\$0
	c. All amounts covered by parent company guarantees, self-guarantees, or financial tests of other Federal or State Agencies (e.g., EPA)		<u>\$0</u>
	TOTAL		<u>\$186,610,047</u>
2.	Current bond rating of most recent unsecured issuance of this firm Rating <u>"A"</u> Name of rating service <u>Standard & Poor's</u>		
3.	Date of issuance of bond <u>2/17/2011</u>		
4.	Date of maturity of bond <u>3/01/2041</u>		
*5.	Net worth ¹ (if any portion of estimates for decommissioning is included in total liabilities on your firm's financial statements, you may add the amount of that portion to this line)		<u>\$8,213,000,000</u>
*6.	Total assets in U.S. (required only if less than 90 percent of firm's assets are located in the U.S.)		<u>\$24,581,000,000</u>

	YES	NO
7. Is line 5 at least 10 times line 1?	<u>X</u>	—
8. Are at least 90% of assets located in the U.S.? (a) If not, complete line 9	—	<u>X</u>
9. Is line 6 at least 10 times line 1?	<u>X</u>	—
10. Is the rating specified on line 2 "A" or better?	<u>X</u>	—

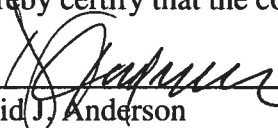
¹ Honeywell applied a test that differs from that in 10 CFR Part 30, Appendix C, in that the sum of tangible net worth plus goodwill (rather than tangible net worth only) is required to be at least 10 times the current decommissioning cost estimate. This test was based on an alternate financial test contained in Honeywell's December 1, 2006 request for an exemption from the NRC's decommissioning funding assurance requirements. That exemption request was approved as License Condition 27 in SUB-526, which was issued on May 11, 2007. The exemption was subsequently extended to May 11, 2009. See Ltr. from D Dorman, NRC, to M Tillman, Honeywell, dated August 22, 2008. On April 1, 2009, Honeywell requested further extension of the exemption. That request is still pending.

11. Does the Company have at least one class of equity securities registered under the Securities Exchange Act of 1934?

X —

*Denotes figures derived from financial statements.

I hereby certify that the content of this letter is true and correct to the best of my knowledge.



David J. Anderson
Senior Vice President and Chief Financial Officer
March 7, 2011

John J. Tus
Vice President and Treasurer

Honeywell International Inc.
P.O. Box 1219
101 Columbia Road
Morristown, NJ 07962-1219
973 455-4901
973 455-5189 Fax

CERTIFICATION OF FINANCIAL ASSURANCE

Principal: Honeywell International Inc.
P.O. Box 1053
Morristown, NJ 07962

Facility: NRC License SUB-526
Honeywell International Inc.
2768 North US 45 Rd.
Metropolis, Illinois 62960

Issued to: U.S. Nuclear Regulatory Commission

I certify that Honeywell International Inc. is licensed to possess the following types of material in the following amounts:

Natural uranium	Yellow cake, U3O8, UO2, UO3, UF4, UF6 and chemical intermediates of these compounds	68 million kg (150 million lbs)
Depleted Uranium	U3O8, UO2, UF4, and UF6	68 kg (150 lbs)
Cs-137	Sealed sources	300 mCi
Cs-137	Sealed source Ronan Engineering Company Model SA-1 Source Holder, Source Model CDC.700	No single source to exceed the maximum activity specified in the certificate of registration issued by the U.S. Nuclear Regulatory Commission or an Agreement State
Any licensed material between atomic numbers 1-100	Sealed and unsealed radioactive sources	2 mCi total

I also certify that financial assurance in the amount of \$186,610,047 has been obtained for the purpose of decommissioning as prescribed by 10 CFR Part 40.

Name: 
Title: Vice President and Treasurer
Date: March 7, 2011



Report of Independent Accountants

To the Management of Honeywell International Inc.:

We have performed the procedures enumerated below, which were agreed to by the Management of Honeywell International Inc. (the "Company"), relating to the accompanying letter dated March 7, 2011 from Mr. David J. Anderson, Senior Vice President and Chief Financial Officer of the Company, addressed to the U.S. Nuclear Regulatory Commission for compliance with the financial requirements of the Nuclear Regulatory Commission Financial Assurance Test of Federal Register, Volume 58, Number 248 (the "Test"), solely to assist you in evaluating the financial data that the Test specifies as having been derived from the audited consolidated financial statements for the year ended December 31, 2010 in the Company's Annual Report on Form 10-K. Company management is responsible for the Test. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

- We recalculated the amount shown as "Net worth" in Item 5 in the Test utilizing balances contained within the audited consolidated financial statements for the year ended December 31, 2010 in the Company's Annual Report on Form 10-K. The Company defines "Net worth" as the sum of tangible net worth plus goodwill.
- We compared the amount shown as "Total assets in U.S." in Item 6 in the Test to a reporting schedule prepared by the Company from which the audited consolidated financial statements for the year ended December 31, 2010 in the Company's Annual Report on Form 10-K were prepared and found the amount to be in agreement.
- We obtained the amount of the Company's total assets from the audited consolidated financial statements for the year ended December 31, 2010 in the Company's Annual Report on Form 10-K and calculated ninety percent of that amount. We compared the calculated amount to the amount shown as "Total assets in U.S." in Item 6 in the Test and noted the calculated amount was greater.



We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the specified elements of the Test. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of the Company, and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

March 7, 2011