



March 31, 2014

U.S. Nuclear Regulatory Commission
ATTN: Mr. James C. Shepherd, Project Manager
Decommissioning Branch
Division of Waste Management
11545 Rockville Pike
Two White Flint North
Rockville, Maryland 20852

Reference: License SMB-911; Docket No. 40-7580
License Conditions 43, 44, and 45 – Annual Update

Dear Mr. Shepherd:

Pursuant to License SMB-911 Conditions 43, 44, and 45, the licensee, FMRI, Inc. (“FMRI”), submits the following information:

License Condition 43 (accounting of expenses)

This letter and the enclosed “Table 1 – Accounting of Expenses for Year 2012” (Attachment 1) provide the information required by License Condition 43 regarding FMRI expenses in 2012, including the following:

- a) Expenses incurred by FMRI in 2013, using the same line items as provided in Table 15-11 of the Decommissioning Plan (“DP”).
- b) The amount spent on each line item during 2013.
- c) Cumulative expenses (i.e., spent in 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013).
- d) Identification of variances, both positive and negative, between the planned expense projected by FMRI for 2013 in the most recent previous annual update submitted to the NRC on March 31, 2012 and the actual expense for each line item during 2013.
- e) An explanation of the reasons for variances that exceed 5% of the planned expense for a line item during 2013 (provided as a footnote to Table 1).

Subparagraph (f) of License Condition 43 requests a comparison of the cost of work remaining to the funding remaining under the assurances provided to NRC. The cost of work remaining is

FMRI, Inc., #Ten Tantalum Place, Muskogee, OK 74403, Phone 918-687-6303 / Fax 918-687-6112

**The Attachment 3 to this Letter Contains Confidential Financial Information
Withhold from Public Disclosure in Accordance With 10 CFR 2.390**

to be determined by estimating the amount and cost of labor, materials, services, etc., required to complete the work. If the cost of remaining activities exceeds the remaining amounts assured to the NRC, a detailed plan to adjust the work plan to the available funding is to be provided.

Enclosed is "Revised Table 15-11, Revised Closure Cost Estimate by Year" (Attachment 2) that provides the revised estimated cost of \$18,617,359.00 for the decommissioning work remaining to be incurred in 2014 and out years. This correlates to a decrease in total decommissioning cost estimate (i.e., including previous years expenses) to a total of \$38,733,237 which is about \$2,871,763 Less than the original estimate of \$41,605,000 on which the financial assurance mechanism was based. The revised estimate is based on an alternate way to deal with the Caf2, (phase 2) and soils and building (phase 3). FMRI understands that once that has been decided and if it requires a licensed amendment and or a revised Decommissioning Plan it will be applied for at that time.

Finally, paragraph (g) of License Condition 43 requests an explanation of the reason for all expenses not covered by the line items of Table 15-11. There were no other expenses that are not covered by the line items of Table 15-11 in 2013.

License Condition 44 (accounting of income)

The accounting of income in 2013 from Reorganized Fansteel (i.e., Fansteel Inc. or "Fansteel") showing amounts paid to FMRI following the format used in License Condition 44 is provided below:

- a) \$ 0.00 - annual mandatory prepayments
- b) \$ 1,400,000.00 - minimum semi-annual payments
- c) \$ 0.00 - additional annual prepayment (1) insurance proceeds, and
(2) reorganized debtor asset sale proceeds
- d) \$ 282,000.00 - payments under the secondary promissory note
- e) \$ 0.00 - payments under the contingent promissory note

Subparagraph (f) of License Condition 44 also requests information on any other payments received. Other payments received by FMRI in 2013 are as follows:

- \$ 0.00 - withdrawn from the Decommissioning Trust
- \$ 4,791.20 - from the sale of surplus equipment
- \$ 80,373.08 - from rental income
- \$ 100,105.30 - from interest income

License Condition 45

As required in License Condition 45, and as discussed above, enclosed is an updated version of Table 15-11 (i.e., "Revised Table 15-11 – Revised Closure Cost Estimate by Year").

FMRI, Inc., #Ten Tantalum Place, Muskogee, OK 74403, Phone 918-687-6303 / Fax 918-687-6112

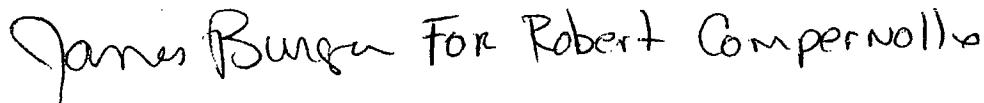
**The Attachment 3 to this Letter Contains Confidential Financial Information
Withhold from Public Disclosure in Accordance With 10 CFR 2.390**

License Condition 45 also requests an updated version of Table 15-12 (Reorganized Fansteel Cash Flow by Year) showing actual figures for previous periods, and updated projections using current information. FMRI encloses an updated version of Table 15-12 (*i.e.*, "Revised Table 15-12 –Reorganized Fansteel Cash Flow by Year") showing actual figures for previous periods, and updated projections using current information (Attachment 3). This table is based upon information recently supplied by Fansteel Inc. ("Fansteel") and reflects actuals for 2013 with projections for out-years. As the footnote in the attached table indicates, forecasts of future financial results over an extended period of time are extremely difficult.

Pursuant to 10 C.F.R. § 2.390, FMRI requests that the NRC withhold the March 31, 2013 Table 15-12 update from public disclosure in accordance with 10 C.F.R. § 2.390. This information is essentially identical to the information already determined by the NRC in its January 9, 2007 letter to contain proprietary commercial information that should be withheld from public disclosure pursuant to 10 CFR 2.390(b)(5) and Section 103(b) of the Atomic Energy Act of 1954, as amended. In support of this request, FMRI submits the affidavit of Robert Compernelle dated March 31, 2014 (Attachment 4).

If you have any questions, please call me at (918) 687-6303.

Sincerely,



Robert Compernelle
President, FMRI

Enclosures

Copy to: (Region IV NRC)
(FMRI File (NRC-033014))

bcc: Brian Cassady (Fansteel Inc.)
James Burgess (FMRI)
Robert Miller (Omega)

FMRI, Inc., #Ten Tantalum Place, Muskogee, OK 74403, Phone 918-687-6303 / Fax 918-687-6112

**The Attachment 3 to this Letter Contains Confidential Financial Information
Withhold from Public Disclosure in Accordance With 10 CFR 2.390**

ATTACHMENT 1

Table 1 - FMRI - Accounting of Expenses for Year 2013 (License Condition 43; Submitted March 31, 2014)

Line Item No.	Description	Year 2013:			Yrs 2004, 05, 06, 07, 08 09, 10, 11, 12, 2013	
		Projected in revised Table 15-11 on 3/31/13	Actual	Better (Worse)	Percent Variance	Cumulative Actual
Site maintenance activities						
1	Site maintenance costs in preparation for decommissioning	-	-	-		\$ -
2	Miscellaneous costs, legal & other consulting services	\$ 30,000	\$ 260,059	\$ (230,059)	767	3,367,597.00
		\$ 30,000	\$ 260,059	\$ (230,059)		3,367,597.00
Site plans & maintenance						
3	Prepare decommissioning plans and reports (Funded Cost)	\$ -	\$ -	\$ -		648,988.00
4	Facility oversight through facility closure in about 10 years	\$ 150,000	\$ 552,736	\$ (402,736)	268	3,817,954.00
5	Preparation of Environmental Report	\$ -	\$ -	\$ -		\$ -
6	NRC review of decommissioning plans and reports (Funded Cost)	\$ -	\$ -	\$ -		236,899.00
7	NRC oversight & misc. through facility closure over 10 years (Funded Cost)	\$ 100,000	\$ 42,288	\$ 57,712	(58)	1,403,344.00
8	Health Physics support through facility closure over 10 years (Funded Cost)	\$ 25,000	\$ -	\$ 25,000	(100)	416,556.00
9	NRC oversight of groundwater treatment	\$ -	\$ -	\$ -		\$ 125,000.00
10	Survey activities (Funded Cost)	\$ -	\$ -	\$ -		\$ -
11	Decontaminate all buildings (Funded Cost)	\$ -	\$ -	\$ -		\$ -
12	Decontaminate equipment (Funded Cost)	\$ -	\$ -	\$ -		\$ -
		\$ 275,000	\$ 595,024	\$ (320,024)		6,648,741.00
WIP disposition						
13	Ponds 2&3 Residues (WIP), Excavation, on-site hauling, and drying (Funded Cost)	\$ -	\$ -	\$ -		2,297,309.00
14	Ponds 2&3 Residues transportation (Funded Cost)	\$ 150,000	\$ 41,206	\$ 108,794	(73)	2,673,070.00
15	Ponds 2&3 Residues disposition (Funded Cost)	\$ 81,000	\$ -	\$ 81,000	(100)	1,301,521.09
16	Backfill where removed Ponds 2 & 3 Residues (WIP residues) (Funded Cost)	\$ -	\$ -	\$ -		\$ -
		\$ 231,000	\$ 41,206	\$ 189,794		6,271,900.09
CaF2 disposal						
17	Ponds 5,6,7,8, & 9 Residues - Excavation, on-site hauling, and drying (Funded Cost)	\$ -	\$ -	\$ -		\$ -
18	Ponds 5,6,7,8, & 9 Residues transportation (Funded Cost)	\$ -	\$ -	\$ -		\$ -
19	Ponds 5,6,7,8, & 9 Residues disposal (Funded Cost)	\$ -	\$ -	\$ -		\$ -
20	Backfill where removed Ponds 5,6,7,8, & 9 Residues (Funded Cost)	\$ -	\$ -	\$ -		\$ -
		\$ -	\$ -	\$ -		\$ -
Soil disposal						
21	Radiologically contaminated soils, Excavation & on-site hauling (Funded Cost)	\$ -	\$ -	\$ -		\$ -
22	Radiologically contaminated soils transportation (Funded Cost)	\$ -	\$ -	\$ -		\$ -
23	Radiologically contaminated soils disposal (Funded Cost)	\$ -	\$ -	\$ -		\$ -
24	Backfill where removed radiologically contaminated soils (Funded Cost)	\$ -	\$ -	\$ -		\$ -
		\$ -	\$ -	\$ -		\$ -
Groundwater treatment						
25	Groundwater treatment for 3 years during decommissioning of WIP	\$ 282,000	\$ 163,930	\$ 118,070	(42)	2,705,641.00
26	Groundwater treatment for 17 years after decommissioning of WIP	\$ -	\$ -	\$ -		\$ -
		\$ 282,000	\$ 163,930	\$ 118,070		2,705,641.00
	Total Decommissioning Expenses	\$ 818,000	\$ 1,060,219	\$ (242,219)	30	18,993,878.00

Explanation of Variances that Exceed 5% of the Planned Expenses by Line Item:

Line Item 2 (Miscellaneous costs, legal & other consulting services) - Greater than expected consulting costs related to Indirect change of control
 Line item 4 (Facility Oversight)-Higher settlement cost for Indirect change of control EQ settlement
 Line Item 7 (NRC oversight & misc.) - NRC Fees for 4th quarter of 2013 not paid until 2014 which results in lower estimate
 Line Item 8 (Health Physics support after Phase 2 no phase 3 this year)

Line Item 14 (WIP Transportation shipment were negotiated and started late in 2013)
 Line Item 15, (WIP disposition) one shipment in 2013 paid in 2014) shipment started late 2013
 Line Item 26 (Change of accounting of expenses for Groundwater used this year)

ATTACHMENT 2

Revised Table 15-11

FMRI Revised Closure Cost Estimate by Year (License Condition 45; Submitted March 31, 2014)

	Pre Approval			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Subtotal	On going later years 2014 to 2023	Total
	2002* (Actual)	2003 (Actual)	Subtotal (2002 - 2003)	2004 (Actual)	2005 (Actual)	2006 (Actual)	2007 (Actual)	2008 (Actual)	2009 (Actual)	2010 (Actual)	2011 (Actual)	2012 (Actual)	2013 (Actual)	2014	(2004 - 2014)		
Site maintenance activities (line item number)																	
(1) Site maintenance costs in preparation for decommissioning	154,000	1,446,000	1,600,000														1,600,000
(2) Miscellaneous costs, legal & other consulting services	160,000	250,000	410,000	424,038	200,658	\$ 209,889	859,118	384,577	573,810	87,221	232,227	136,000	260,059	200,000	3,567,597		3,977,597
	314,000	1,696,000	2,010,000	424,038	200,658	209,889	859,118	384,577	573,810	87,221	232,227	136,000	260,059	200,000	3,567,597	-	5,577,597
Site plans & maintenance																	
(3) Prepare decommissioning plans and reports				90,302	211,002	\$ 347,684									648,988		648,988
(4) Facility oversight through facility closure in about 10 years				570,785	430,986	\$ 457,568	445,593	440,672	304,539	241,141	236,051	137,883	552,736	175,000	3,992,954	2,120,000	6,112,954
(5) Preparation of Environmental Report		200,000	200,000												236,899		200,000
(6) NRC review of decommissioning plans and reports				102,649	86,250	\$ 48,000									1,503,344	500,000	236,899
(7) NRC oversight & misc. through facility closure over 10 years				160,408	198,827	\$ 175,238	222,904	189,771	198,249	34,731	44,927	136,000	42,288	100,000	1,503,344	500,000	2,003,344
(8) Health Physics support through facility closure over 10 years					45,000	\$ 102,500	59,086	31,322	11,073	33,061	26,791	107,723	-		416,556	900,000	1,316,556
(9) NRC oversight of groundwater treatment															125,000	100,000	100,000
(10) Survey activities												125,000			125,000	1,000,000	1,125,000
(11) Decontaminate all buildings															-	400,000	400,000
(12) Decontaminate equipment															-	400,000	400,000
	-	200,000	200,000	924,144	972,065	1,130,990	727,583	661,765	513,861	308,933	307,769	506,606	595,024	275,000	6,923,740	5,420,000	12,543,740
WIP disposition																	
(13) Ponds 2&3 Residues (WIP), Excavation, on-site hauling, and drying					425,672	699,929	197,420	349,288	101,750	372,735	100,515	50,000			2,297,309	200,000	2,497,309
(14) Ponds 2&3 Residues transportation						8,625	1,380,822	1,060,893	181,523	-	-		41,206	220,000	2,893,070	175,000	3,068,070
(15) Ponds 2&3 Residues disposition							734,613	514,876	52,032					145,000	1,446,521	980,000	2,426,521
(16) Backfill where removed Ponds 2 & 3 Residues (WIP residues)																20,000	20,000
	-	-	-	-	425,672	708,554	2,312,855	1,925,057	335,305	372,735	100,515	50,000	41,206	365,000	6,636,900	1,375,000	8,011,900
CaF2 disposal																	
(17) Ponds 5,6,7,8, & 9 Residues – Excavation, on-site hauling, and drying																770,000	770,000
(18) Ponds 5,6,7,8, & 9 Residues transportation																4,000,000	4,000,000
(19) Ponds 5,6,7,8, & 9 Residues disposal																3,080,000	3,080,000
(20) Backfill where removed Ponds 5,6,7,8, & 9 Residues																150,000	150,000
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,000,000	8,000,000
Soil disposal																	
(21) Radiologically contaminated soils, Excavation & on-site hauling																300,000	300,000
(22) Radiologically contaminated soils transportation																450,000	450,000
(23) Radiologically contaminated soils disposal																400,000	400,000
(24) Backfill where removed radiologically contaminated soils																50,000	50,000
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000
Groundwater treatment																	
(25) Groundwater treatment for 3 years during decommissioning of WIP				282,000	282,000	282,000	282,000	282,000							1,410,000		1,410,000
(26) Groundwater treatment for 17 years after decommissioning of WIP									282,000	282,000	282,000	282,000	167,641	282,000	1,577,641	2,622,359	4,200,000
	-	-	-	282,000	282,000	282,000	282,000	282,000	282,000	282,000	282,000	282,000	167,641	282,000	2,987,641	2,622,359	5,610,000
Total Revised Decommissioning Cost Estimate	314,000	1,896,000	2,210,000	1,630,182	1,880,396	2,331,433	4,181,556	3,253,399	1,704,976	1,050,889	922,511	974,606	1,063,930	1,122,000	20,115,878	18,617,359	38,733,237
Total Estimated Remaining Decommission Cost Estimate for 2012 and Out-Years:																	-

ATTACHMENT 4

Affidavit of Robert Compernelle

I, Robert Compernelle, being first duly sworn according to law, under oath, depose and state:

1. I am the President of FMRI, Inc. ("FMRI"), a wholly owned subsidiary of Fansteel Inc. Fansteel has certain prescribed, bankruptcy court-approved, financial obligations to its subsidiary FMRI, the Nuclear Regulatory Commission ("NRC") licensee, including the payments on notes issued by Fansteel, related to the remediation of FMRI's Muskogee, Oklahoma site. Payments under the notes are partially dependent on Fansteel operating cash flows and cash on hand. To permit FMRI to fulfill its regulatory responsibilities for its Muskogee, Oklahoma site, namely the updating of information contained in Table 15-12 of the Muskogee Decommissioning Plan which is required by Condition 45 of License Number SMB-911, Fansteel has made certain financial projections for the years 2011 through 2013 and supplied them to FMRI with a stipulation that release to a third party (including the NRC) be made only after assurance that such information would be held in confidence, used for appropriate regulatory purposes and not further disclosed without prior consent. As President of FMRI, my duties include the review of the information which is to be submitted to the NRC in conjunction with the proposed revision of Table 15-12 to the FMRI Decommissioning Plan. I am authorized by Fansteel to execute this affidavit in support of the request to withhold such information from public disclosure.
2. The information consists of commercial financial information related to the operation of Fansteel. This information constitutes confidential and proprietary commercial

- 2 -

information that should be held in confidence by the NRC, pursuant to 10 C.F.R. § 9.17(a)(4) and 10 C.F.R. § 2.390, for the following reasons:

- (i) Based upon my position as President of FMRI, I understand that this information is of a type that is customarily held in confidence by Fansteel and other public companies, and these materials, which are internal business projections not normally made public, could reveal Fansteel's financial projections, which could adversely affect Fansteel in financial negotiations and other dealings with its customers, and assist Fansteel's competitors. I further understand that the information contained therein has not been and will not be released to the general public and was intended to remain confidential in order to preserve its value and usefulness and protect Fansteel from a potential violation of the securities laws.
- (ii) Since its emergence from bankruptcy, this information is and has been held in confidence by Fansteel. Based on Fansteel's actions in this matter, the disclosure of the subject information outside the company is strictly limited and controlled.
- (iii) This information is being transmitted to the NRC in confidence.
- (iv) To the best of my knowledge, this information is not available through public sources, and could not be gathered readily from other publicly available information.
- (v) I understand that public disclosure of this information would create substantial harm to the competitive interests of Fansteel by disclosing sensitive financial

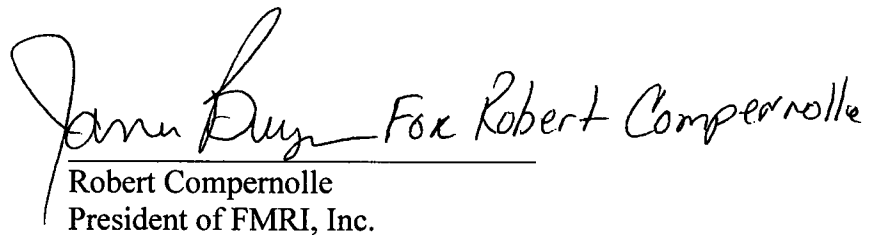
- 3 -

information to competitors and other parties whose interests may be adverse to those of Fansteel.

- (vi) The entire document contains commercial financial information which cannot meaningfully be segregated from non-confidential material.
 - (vii) This information is essentially identical to the information already determined by the NRC in its January 9, 2007 letter to contain proprietary commercial information and should be withheld from public disclosure pursuant to 10 CFR 2.390(b)(5) and Section 103(b) of the Atomic Energy Act of 1954, as amended.
3. Accordingly, it is requested that the designated information be withheld from public disclosure pursuant to 10 C.F.R. §§ 2.390(a)(4) and 9.17(a)(4)

In accordance with 29 USC 1746:

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief. Executed on March 31, 2014:


Robert Compennolle
President of FMRI, Inc.