



**UNITED STATES  
NUCLEAR REGULATORY COMMISSION**  
REGION I  
2100 RENAISSANCE BOULEVARD, SUITE 100  
KING OF PRUSSIA, PA 19406-2713

May 13, 2014

Docket No. 03036931  
Control No. 583622

License No. 06-31045-01

Robert C. Davis  
President  
Schulz Electric Company  
30 Gando Drive  
New Haven, CT 06513

Craig Swartz  
Legal Counsel  
Timken Gears & Services Inc.  
901 East 8<sup>th</sup> Avenue  
Suite 100  
King of Prussia, PA 19406

**SUBJECT: SCHULZ ELECTRIC COMPANY, REQUEST FOR ADDITIONAL INFORMATION  
CONCERNING CHANGE OF CONTROL AND OWNERSHIP, CONTROL NO.  
583622**

Dear Mr. Davis and Mr. Swartz:

This is in reference to your letter and affidavit dated March 28, 2014 (Agencywide Documents Access and Management System (ADAMS) Accession Nos. ML14099A093 and ML14099A094) requesting NRC's consent for change of control and ownership to Nuclear Regulatory Commission License No. 06-31045-01. This also refers to our telephone conference call on April 30, 2014 regarding the April 28, 2014 Wall Street Journal article announcing Timken Gears & Services Inc. (Timken or transferee) acquiring various assets from the Schulz Group (including Schulz Electric Company) and expanding services. In order to continue our review, we need the following additional information:

1. Item 1 of your letter dated March 28, 2014, stated that you are in the process of exploring transferring direct ownership of the assets of Schulz Electric Company and the proposed transferee, or one of its affiliates, may be acquiring the assets of the Schulz Electric Company. On April 28, 2014, Timken Gears & Services Inc. (Timken) made the announcement that they have acquired various assets from the Schulz Group (including Schulz Electric Company). Please provide a more detailed description of the transfer of assets. Section 5.1 of NUREG-1556, Vol. 15, "Consolidated Guidance About Materials Licenses: Program-Specific Guidance About Changes of Control and About Bankruptcy Involving Byproduct, Source, or Special Nuclear Material Licenses" contains additional guidance that may be helpful in preparing your response.

2. Item 1 of your letter dated March 28, 2014, stated that the proposed transferee, or one of its affiliates, may be acquiring the assets of the Schulz Electric Company as of April XX, 2014. However, on April 28, 2014, Timken announced the acquisition of various assets from the Schulz Group (including Schulz Electric Company). During the telephone conversation on April 30, 2014, the Timken attorney indicated that the assets of Schulz Electric Company, and any associated NRC licensed activities, have not been transferred at this time, and will not be transferred prior to NRC approval. The regulations are clear that control of licensed activities cannot be transferred without prior written consent from the NRC. Pursuant to 10 CFR 30.34(b) and 70.36(a), Schulz Electric Company's license cannot be transferred without prior written consent from the Commission. At this time, we are still in need of additional information. Please be on notice that a change of control, such as change of ownership, that occur without NRC's prior written consent, will potentially be considered a violation of the abovementioned regulations and, as such, may result in the NRC taking one or more appropriate enforcement actions, including the issuance of orders, the imposition of monetary civil penalties, or the modification, suspension, or revocation of the license.
3. Item 1 of your letter dated March 28, 2014, stated that there will be no name change other than elimination of "Company." The NRC considers this a name change, requiring an amendment of your license. Please revise your request to accurately reflect a name change. Section 5.1 of NUREG-1556, Vol. 15 contains additional guidance that may be helpful in preparing your response.
4. Item 2 of your letter dated March 28, 2014, stated that there will be no changes in personnel named in the license. The Radiation Safety Officer (RSO), Assistant RSO and authorized users will be employed with the same duties and responsibilities as relate to the licensed programs with the acquiring company. Pursuant to section 5.3 of NUREG-1556, Vol. 15, changes in personnel that should be documented in your request include any individuals "having control over licensed activities." This can include a wider set of individual than those simply named in the license, including officers or other management individuals. Accordingly, please provide information clarifying whether there will be any changes in personnel who have "control over licensed activities," along with organizational chart(s) which reflect any differences between the existing organization and the proposed organization in your response to this letter.
5. Item 3 of your letter dated March 28, 2014, stated that there will be no changes anticipated in the location, facilities, or procedures related to the licensed programs as a result of the Proposed Transaction. Please indicate if there will, or will not, be changes to the place of use, including potentially affected adjacent areas; changes to the facilities where licensed material is to be used or stored; changes in equipment to be used in the licensed program; and submit relevant procedural changes. Section 5.3 of NUREG-1556, Vol. 15, has additional information that may be helpful when preparing your response.

6. Item 4 of your letter dated March 28, 2014 states there will be no changes anticipated in the status of the surveillance programs as a result of the Proposed Transaction. Section 5.4 of NUREG-1556, Vol. 15, requests that you submit a statement that all required surveillance has been performed, documented and reviewed, including the results, if appropriate. If surveillance items are not or will not be completed, the reasons, any corrective actions, and/or the date these corrective actions will be completed, should be submitted to NRC. Please provide all applicable information in your response to this letter.
  
7. The following documents currently provide your financial assurance in the amount of \$188,860:
  - Certification of Financial Assurance dated October 17, 2012 [ML12298A386],
  - Trust Fund dated September 20, 2012 [ML12283A118].Section 10 of the Trust requires an annual valuation. This was due to the NRC in October 2013. This section states: "After payment has been made into this trust fund, the Trustee shall annually, at least 30 days before the anniversary date of receipt of payment into the trust fund, furnish to the Grantor and to 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 NRC 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." Please provide the annual verification.
  
8. Item 5 of your letter dated March 28, 2014 states that all records and trust funds concerning the safe and effective decommissioning of the facility would be transferred to the transferee. Since your NRC License No. 06-31045-01 also authorizes the use of special nuclear material, you must comply with 10 CFR 70.36 before there is a change of control. 10 CFR 70.36(b) requires that an application for transfer of license must include:
  - The identity, technical, and financial qualification of the proposed transferee; and
  - Financial assurance for decommissioning information required by 10 CFR 70.25.Please provide the above two items in your response to this letter. During the April 30, 2014 conference call, you indicated that since the April 28, 2014 Wall Street Journal article made the transaction public knowledge; there is no need to withhold the name of Timken Gears & Services Inc. at this time. NUREG-1757, Vol. 3, "Consolidated Decommissioning Guidance: Financial Assurance, Recordkeeping, and Timeliness (Revision 1)" may be helpful to the Transferee when preparing the new financial assurance instrument.

9. Item 5 of your letter dated March 28, 2014 states that all records and trust funds concerning the safe and effective decommissioning of the facility would be transferred to the transferee. Section 5.5 of NUREG-1556, Vol. 15, requests that you:
- Describe the method and proposed timetable for the transfer of required records.
  - Provide a commitment by the transferee to maintain the records received from the transferor.
  - Provide a description of the facility with regard to contamination and ambient radiation levels.
  - Describe any decontamination to prepare the facility for decommissioning prior to the change of control.
  - If decommissioning will not occur until after the change of control, describe any contamination and confirm that the transferee is knowledgeable of the extent and levels of contamination and applicable decommissioning requirements.
  - Indication of whether operations will continue during the transfer process; if so, provide either an agreement to perform a survey confirming that the facility is free of contamination; OR agreement by the transferee to accept the facility "as is" on the date of transfer.

In addition, based on our review of your license history, your licensed activities include the use of a wastewater treatment system and a closed ventilation system. Please identify areas where contamination may be inaccessible at this time, but should be divulged to the Transferee and NRC prior to the transaction being completed.

10. Item 6 of your letter dated March 28, 2014 states "Transferee would abide by all constraints, conditions, requirements and commitments of the Schulz Electric Company license in regard to the program." However, this statement coupled with the fact that the Transferee did not sign this letter is not acceptable. The NRC needs assurance that the Transferee will abide by all constraints, license conditions, requirements, representations, and commitments identified in and attributed to the existing NRC License No. 06-31045-01 or a description of the transferees' program to ensure compliance with the license and regulations. Include a description of action to be taken to resolve open inspection and enforcement issues, if any develop before the transaction is complete. Representatives from both Schulz Electric Company and Timken Gears & Services, Inc. must sign the agreement. Section 5.6 of NUREG-1556, Vol. 15, has additional information that may be helpful when preparing your response.
11. In your initial application for a license dated April 27, 2005 (ML051440096), you indicated that Schulz Electric Company may use trace amounts of source material that might be present and possessed under the terms of 10 CFR 40.13 "Unimportant Quantities of Source Material," or under the general license issued in 10 CFR 40.22 "Small Quantities of Source Material." Source material was included on your new license dated August 4, 2005 and remained on the license until 2007. On January 30, 2007 (ML070320771), you requested to amend your license and remove source material. On March 9, 2007, NRC amended the license and removed source material. Please confirm that your facility does not have contamination as a result of your licensed activities during the time you were authorized to possess and use source material. This contamination will need to be divulged to the Transferee and NRC and included in your response.

12. Please identify any generally-licensed material at your facility such that the Transferee will accept responsibility for all generally-licensed material in Schulz Electric Company's possession and that this should be clear in the transaction.
13. The NRC must develop a Safety Evaluation Report (SER) for this action. As part of the SER, we have drafted a brief license history and would like your input to assure accuracy. Here is our brief summary of your license history:

Schulz Electric Company from New Haven, Connecticut, was issued NRC License No. 06-31045-01 (ML052200628) on August 4, 2005, for the possession, storage, maintenance, repair, and decontamination of contaminated equipment. The initial license application dated April 27, 2005 (ML051440096) described the activities as the receipt of contaminated electric motors and associated components from nuclear power plants and other licensees to perform the following services:

- Decontaminate these components;
- Overhaul and repair these components;
- Package, survey, label and manifest these components;
- Transport these components to properly licensed consignees, or;
- Present them to common carriers for transport to properly licensed consignees; and
- Dispose of radioactive waste produced during these processes.

The Schulz Electric Company building comprises approximately 47,200 ft<sup>2</sup>, of which approximately 10,000 ft<sup>2</sup> is office space and 37,200 ft<sup>2</sup> is the shop area. Within the shop area, a 1,650 ft<sup>2</sup> area is the restricted area, where licensed material is received and decontaminated. Licensed activities commenced in January 2006 and the facility expansion occurred in February 2012. The Radiation Safety Officer has remained the same. The current license amendment No. 10 was issued April 23, 2013 and remains active.

Please confirm that the above is accurate or provide the correct information so that we can ensure a complete and accurate description in the SER.

On August 28, 2008, NRC issued Regulatory Issue Summary (RIS) 2008-19, "Lessons Learned from Recent 10 CFR 70 License-Transfer Application Reviews." This RIS can be found on the NRC's website at [www.nrc.gov](http://www.nrc.gov); select **NRC Library; Document Collections; Generic Communications**; and then **Regulatory Issue Summaries** and you may find it helpful in preparing your response.

Your public response will be posted on the NRC's website at: <http://www.nrc.gov/materials/miau/material-licensing-application.html> for 30 days. You may go to this site to see other change of control actions so that you can ensure a complete submittal. Please note that the NRC anticipates that it will generate an Order and Safety Evaluation Report (SER) to document our review of your submittal. Any Order will include conditions requiring that you provide financial assurance prior to the closing of the transfer and that you notify the NRC in writing at least one day prior to the closing. The NRC encourages you to provide as much detail as possible in your response so that we can proceed.

Current NRC regulations and guidance are included on the NRC's website at [www.nrc.gov](http://www.nrc.gov); select **Nuclear Materials; Med, Ind, & Academic Uses**; then **Licensee Toolkits, see our toolkit index page**. You may also obtain these documents by contacting the Government Printing Office (GPO) toll-free at 1-866-512-1800. The GPO is open from 8:00 a.m. to 5:30 p.m. EST, Monday through Friday (except Federal holidays).

We will continue our review upon receipt of this information. Please reply to my attention at the Region I Office and refer to Mail Control No. 583622. If you have any technical questions regarding this deficiency letter, please call me at (610) 337-5251.

The NRC's Safety Culture Policy Statement became effective in June 2011. While a policy statement and not a regulation, it sets forth the agency's *expectations* for individuals and organizations to establish and maintain a positive safety culture. You can access the policy statement and supporting material that may benefit your organization on NRC's safety culture Web site at <http://www.nrc.gov/about-nrc/safety-culture.html>. We strongly encourage you to review this material and adapt it to your particular needs in order to develop and maintain a positive safety culture as you engage in NRC-regulated activities.

Please note that the office of the Region I Division of Nuclear Materials Safety has moved effective May 9, 2012. Our new location is:

U.S. Nuclear Regulatory Commission  
Region I  
2100 Renaissance Boulevard, Suite 100  
King of Prussia, PA 19406-2713

If we do not receive a reply from you within 30 calendar days from the date of this letter, we will assume that you do not wish to pursue your application.

Sincerely,

***Original signed by Kathy Modes***

Kathy Modes  
Senior Health Physicist  
Decommissioning and Technical Support  
Division of Nuclear Materials Safety

cc:

John J. Dougherty, Radiation Safety Officer  
Kevin Gibbs, Safety

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**SUNSI Review Complete: KModes**

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