



babcock & wilcox nuclear operations group

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December 23, 2014
14-135

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

Reference: 1) License No. SNM-42, Docket No. 70-027
2) License No. SNM-2001, Docket No. 70-3085
3) License No. SNM-124, Docket No. 70-143
4) Letter Dated November 20, 2014, PS Baker (B&W) to Director NMSS (NRC),
The Babcock & Wilcox Company - Spin-off of Power Generation Business
5) E-mail Dated December 15, 2014, MN Baker (NRC) to CA England (B&W),
Request for Additional information: B&W Spin-Off (TAC L33356).

Subject: Reply to Request for Additional Information (TAC L33356)

Dear Sir:

The Babcock & Wilcox Company (B&W) is providing its response to the NRC's Request for Additional Information (RAI) that was submitted in the NRC's December 15, 2014, email (Reference 5). Our response to the RAI is provided in Enclosure 1. Enclosure 2 contains revised organization charts showing the relevant insurance subsidiaries.

If you have questions or require further information, please contact me at 434-522-6405.

Sincerely,

Charles A. England
Manager, Licensing & Safety Analysis
Babcock & Wilcox Nuclear Operations Group, Inc. - Lynchburg

Enclosures

cc: NRC, Region II
NRC, M. Baker
NRC, K. Ramsey
NRC, Resident Inspector, NOG-L
NRC, Resident Inspector, NFS

NMSS01

Enclosure 1

B&W Response to NRC Request for Additional Information

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Each RAI question is restated in full and followed by B&W's reply.

Item 1: Please provide Org charts (position and name, if available) for the companies in the BWXT chain, both before and after the spin-off.

B&W Response:

On December 12, 2014, B&W provided to the NRC the requested organization charts. On December 15, 2014, B&W's representative, Mr. Charles England, followed up by phone with Mr. Merritt Baker, to clarify what additional information was needed.

In response to that conversation, B&W is hereby submitting pre and post spin-off organization charts (Enclosure 2) showing the relevant insurance subsidiaries, and providing the name of the President of both the existing insurance subsidiary and the post-spin insurance subsidiary that will be owned by BWX Technologies, Inc. following the spin-off. In both cases, that individual is Mr. Timothy K. Fischer.

In addition, during the December 15 telephone call, questions were asked as to whether Mr. Sandy Baker will hold all of the various executive positions identified in the organization charts, or whether his name was a placeholder in some instances. Mr. Baker's name is not a placeholder, and B&W fully anticipates that he will hold all of the executive positions listed in the organization charts.

Item 2: In several places the submittal is indicating that this may not be the final transaction: Some of the members of the board of directors may change, but it is expected that a majority of the directors will consist of current directors or current officers of the company. If the final transaction is different than what they are stating in their submittal, we may have to reevaluate the transaction all over again.

B&W Response:

We understand and appreciate the NRC's cautionary note regarding the final transaction. However, to the extent there might be any changes in the final transaction, such changes will not impact the NRC licensees, their parents, or their subsidiaries.

For example, as explained in B&W's November 20, 2014 letter, one alternative contemplated at that time was to create a new Delaware holding company, "SPINCO", as the direct parent of B&W CPI and dividend the stock of SPINCO to its shareholders. Following further tax analysis, it is now B&W's preferred plan to create the new SPINCO. In the event B&W implements the spin at the PGG level (rather than the B&W CPI level), SPINCO would ultimately become the parent holding company of PGG, not B&W CPI. In either event, the creation of SPINCO will not

involve the creation or removal of any legal entity in the NRC-licensee ownership chain.¹

The November 20, 2014 letter from B&W to the NRC stated in several places, in its "Description of the Planned Transaction" (see Enclosure 2 to the November 20, 2014 letter), that "none of these steps will affect the NRC-licensed entities, or their intermediate or ultimate parents, nor will these steps involve the creation or removal of any legal entities in the NRC-licensee ownership chain." B&W reaffirms that statement, and does not believe there will be any need to reevaluate the transaction.

Item 3: Transaction is being done for an improved credit facility (one side of the corporate chain is being separated from the other side of the corporate chain), should we consider if this may have any negative impact on the financial strength (long term viability) of the companies which hold NRC licenses?

B&W Response:

B&W respectfully states that, while NRC licensee financial qualifications are an appropriate NRC regulatory consideration, they are not relevant to the threshold determination as to whether the transaction constitutes a transfer of control requiring prior NRC consent.

Nevertheless, as to the continuing financial qualifications and long term viability of the NRC licensees, in its November 20, 2014 letter, B&W provided 5 year pro forma, projected financial statements for the post-spin BWXT companies, which demonstrated the financial strength of the relevant companies. In addition, B&W believes that the spin-off will also provide:

- flexibility to deploy and execute a focused capital structure consistent with the strategic priorities of each business;
- increased opportunities to pursue external growth strategies as independent companies;
- the ability to attract an investor base suited to the particular operational and financial characteristics of each company; and
- greater management focus on the distinct businesses of power generation and government and nuclear operations.²

¹ The pre and post spin-off organization charts (Enclosure 2) reflect the original transaction structure as described in B&W's November 20, 2014 letter. However, the NRC's threshold review regarding transfer of control should also recognize that potential changes that do not affect the NRC licensees or their intermediate or ultimate parents should not alter the results of that threshold review.

² B&W would also like to clarify that the purpose of the transaction is *not* to obtain an "improved credit facility." It is, instead, to obtain the strategic, financial, operational and commercial benefits of separating the non-nuclear power generation business from the nuclear businesses.

Item 4: The submittal indicates there will be several corporate name changes (include some of the NRC licensees), in addition to the license amendments to reflect these changes, we will need in advance, 30 days or more is preferable, letters from the financial institutes/agencies which provide decommissioning financial assurance acknowledging the name changes and indicating that the financial instruments remaining in full force and effect or provided amended financial instruments reflecting the new company names.

B&W Response:

With regard to Nuclear Fuel Services, a revision to License Application SNM-124 was submitted with the November 20, 2014 letter to NRC entitled The Babcock & Wilcox Company – Spin-off of Power Generation Business (Reference 4). There are no other planned changes to this license application. Additionally, there will be no changes to the Standby Trust Agreement or Letter of Credit for Nuclear Fuel Services.

License Application SNM-42 (Nuclear Operations Group) will be revised as described in Reference 4 and provided to the NRC at least 30 days prior to the spin-off. Additionally, a new Standby Trust Agreement and Letter of Credit will be provided to the NRC, at least 30 days prior to the spin-off, for Decommissioning Assurance of LTC and Downblend.

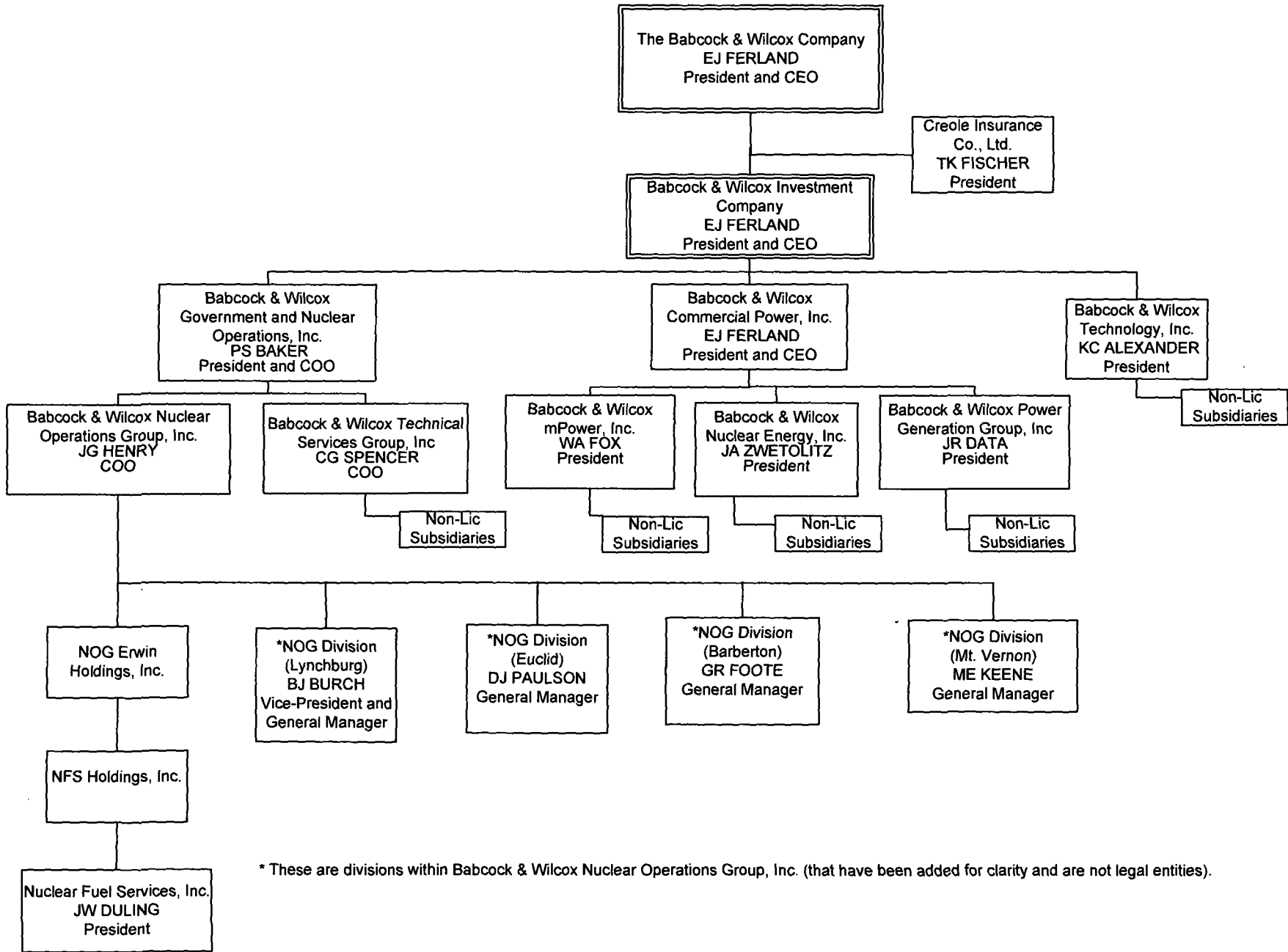
With regard to DOE contracts, B&W will provide, at least 30 days prior to the spin off, renewed assurances from the U.S. Department of Energy for decommissioning financial assurance as related to performance of contracts for DOE and DOE Naval Reactors Program.

License SNM-2001 (Shallow Land Disposal Area) remains in abeyance until the United States Army Corps of Engineers completes remediation. Once remediation is complete, the NRC will reactivate the license, amend it to incorporate the BWXT name and terminate it. A new Standby Trust Agreement for SNM-2001 will be provided to the NRC at least 30 days prior to the spin-off. A new letter of credit is not required.

Enclosure 2

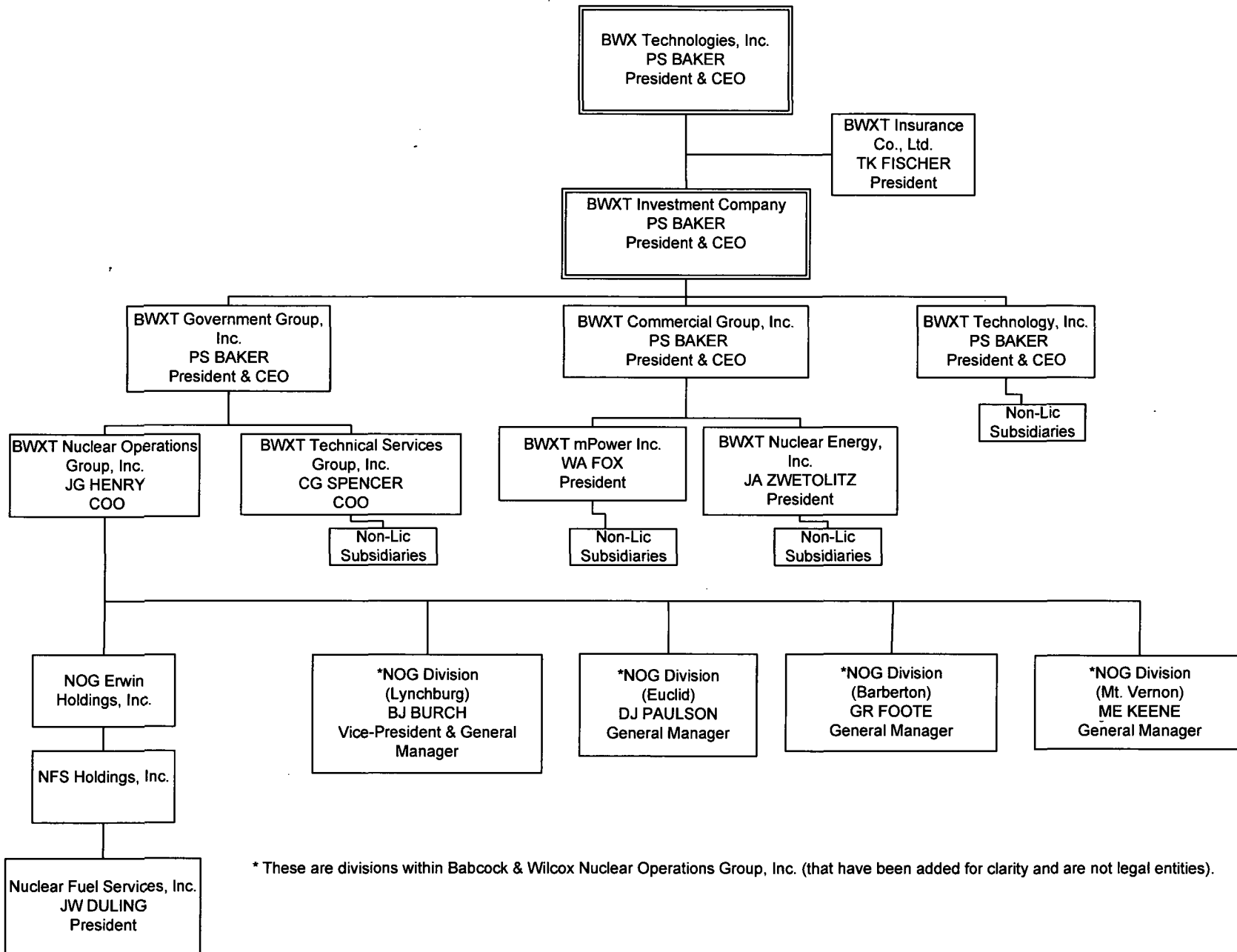
**Organization Charts Showing B&W
Existing Structure and Post-Spin Structure**

Existing Structure



* These are divisions within Babcock & Wilcox Nuclear Operations Group, Inc. (that have been added for clarity and are not legal entities).

Post-Spin



* These are divisions within Babcock & Wilcox Nuclear Operations Group, Inc. (that have been added for clarity and are not legal entities).