

March 31, 2015

Mr. Richard J. Freudenberger, Director
Safety and Safeguards
Nuclear Fuel Services, Inc.
P.O. Box 337, MS 123
Erwin, TN 37650

SUBJECT: NUCLEAR FUEL SERVICES, INC. – COMPLETION OF REVIEW OF FINANCIAL ASSURANCE INFORMATION FROM NATIONAL NUCLEAR SECURITY ADMINISTRATION PRODUCTION OFFICE (TECHNICAL ASSIGNMENT CONTROL NUMBER L33333)

Dear Mr. Freudenberger:

We have completed our review of the additional information provided by the National Nuclear Security Administration (NNSA) Production Office regarding the contract commitment to fund decommissioning activities at Nuclear Fuel Services (NFS). As you may recall, we issued a letter on April 15, 2014, to the NNSA Production Office requesting an improved financial assurance document more consistent with our guidance. At the time, we believed the contract clause requiring the payment of decommissioning costs indicated an intent to request funds from Congress when they were needed. In a letter dated May 23, 2014, NNSA responded that it has no intent to request funds from Congress because an interagency agreement with the Tennessee Valley Authority (TVA) contains a profit-sharing provision requiring TVA to collect and hold funds to cover the decommissioning funding obligation at NFS. Tennessee Valley Authority has confirmed that it has collected and recorded funds in an amount over twice the current decommissioning cost estimate of \$8 million.

U.S. Nuclear Regulatory Commission (NRC) guidance states that external funds should be in the form of a trust. Tennessee Valley Authority has confirmed that the decommissioning funds are being held in its General Fund, not a trust. Despite the lack of a trust fund, NRC staff believes a fully funded account is a better financial assurance mechanism than a promise to request funds in the future.

The NFS license renewal issued in 2012 granted a continuation of the exemption allowing NFS to use obligations in government contracts as funding methods for decommissioning financial assurance. This was based on a finding that the ability of United States government agencies to pay their obligations was at least equivalent to the ability of a private financial institution to honor a guarantee of funds. With the improved understanding that the NNSA contract obligation is backed by actual funds in a TVA account, we continue to find that NNSA's ability to pay its contract obligation is acceptable.

This action was assigned Technical Assignment Control Number L33333 and is considered **CLOSED**.

R. Freudenberger

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In accordance with Title 10 of the *Code of Federal Regulations* of the NRC's "Agency Rules of Practice and Procedure," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Agencywide Documents Access and Management System (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

If you have any questions concerning this letter, please contact me at (301) 287-9116, or via e-mail to Kevin.Ramsey@nrc.gov.

Sincerely,

/RA/

Kevin M. Ramsey, Project Manager
Fuel Manufacturing Branch
Division of Fuel Cycle Safety, Safeguards,
and Environmental Review
Office of Nuclear Material Safety
and Safeguards

Docket No. 70-143
License No. SNM-124

R. Freudenberger

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In accordance with Title 10 of the *Code of Federal Regulations* 2.390 of the NRC's "Agency Rules of Practice and Procedure," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Agencywide Documents Access and Management System (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

If you have any questions concerning this letter, please contact me at (301) 287-9116, or via e-mail to Kevin.Ramsey@nrc.gov.

Sincerely,

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Kevin M. Ramsey, Project Manager
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Docket No. 70-143
License No. SNM-124

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