



**HITACHI**

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~~Security Related Information Notice~~

This letter forwards ~~Security Related Information~~ to be withheld in accordance with 10 CFR 2.390. Upon the removal of Enclosure 1, the balance of the letter may be considered non-proprietary.

MFN-16-043

Docket 70-754  
NRC License SNM-960

June 28, 2016

Mr. Scott Moore  
Acting Director, Office of Nuclear Material Safety and Safeguards  
U.S. Nuclear Regulatory Commission  
Washington, D.C. 20555-0001

Subject: **Classification of Vallecitos Special Nuclear Material**

Dear Mr. Moore:

In multiple meetings and telephone calls over the past decade, application of the "formula quantity" definition for categorization of Special Nuclear Material housed at the GEH Vallecitos Nuclear Center (VNC) has been a topic of much discussion. The implications of NRC applying an incorrect or overly conservative classification has little safeguards or security risk as NRC has the ability to impose security requirements as it sees fit and has done so under the Confirmatory Order dated April 22, 2015. However, GEH believes that an inappropriate material and/or facility classification does impose future financial and political risks (unintended consequences) for the long term operation of VNC and that it is important that good regulatory practices be applied to this topic.

Therefore, I am formally providing you the results of our research concerning the proper interpretation of 10 CFR § 73.2, *Formula quantity*, as applied to the Part 70 license granted to GEH for VNC. Enclosure 1 of this letter updates and expands upon the information originally docketed in a Safeguards letter from D. Turner to J. Strosnider on May 3, 2006 and further elaborated upon in a July 11, 2007 letter from GEH legal counsel (A. Gutterman) to NRC Office of General Council (D. Reddick and J. Zorn). This is to once again formally docket our concerns with the interpretation taken by the staff on this topic.

NM5520

Enclosure 1 contains Security-Related Information marked with the designation “{{{Security-Related Information – Withhold in Accordance with 10 CFR 2.390}}}.” GEH requests that the NRC withhold from public disclosure Enclosure 1 in its entirety in accordance with the provisions of 10 CFR 2.390. Since Enclosure 1 is Security-Related in its entirety, no public version of Enclosure 1 is provided.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Jerald Head".

Jerald G. Head  
Senior Vice President, Regulatory Affairs

Commitments: No additional commitments are made in this response.

Enclosure:

1. Classification of Vallecitos Special Nuclear Material – Security-Related