

SEP 28 1993

License Nos. SNM-811  
37-14600-01  
37-09135-01  
Docket Nos. 070-00870  
030-10859  
030-06198  
Control Nos. 113044  
113045  
113046

Applied Health Physics, Incorporated  
ATTN: Robert G. Gallagher, P.E., C.H.P.  
President  
2986 Industrial Boulevard  
Bethel Park, Pennsylvania 15102

Dear Mr. Gallagher:

Subject: Financial Assurance

This is in reference to your Decommissioning Funding Plan (DFP) and Financial Assurance Certification dated July 25, 1990 to provide financial assurance for the above licenses. In order to continue our review, we need the following information:

1. Although the DFP includes an outline of the work required to decommission your facility, you have not broken down the cost estimates by major decommissioning activity nor have you provided sufficient information to support your overall cost estimates. We cannot therefore evaluate whether you included reasonable cost estimates for all major decommissioning activities.

Please use or adapt the "Cost Estimating Tables" in Appendix F to *Regulatory Guide 3.66* (enclosed), to demonstrate that you have provided reasonable cost estimates for all major decommissioning activities. You may also refer to *NUREG/CR-1754, Addendum 1* (enclosed). Provide additional information on your facility components, labor costs, the amount of waste expected to be generated from decommissioning, and disposal services.

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2. *Regulatory Guide 3.66* recommends that a contingency factor be included in decommissioning cost estimates to ensure that the licensee is prepared for unexpected circumstances that raise decommissioning costs. *NUREG/CR-1754* uses a contingency factor of 25 percent in cost estimates. Please incorporate a 25 percent contingency factor into your decommissioning cost estimates or supply justification for a different figure if you wish a different amount.

*Regulatory Guide 3.66* also recommends that licensees not take salvage value into consideration due to the fact that expected credits may not be fully realized. Confirm that you did not include salvage value in your decommissioning cost estimate.

3. *Regulatory Guide 3.66* discusses Lines of Credit in section 3.2.2.3, but does not provide recommended wording for a line of credit. Therefore your submittal was reviewed against the Recommended Wording for Irrevocable Standby Letter of Credit found on pages 4-33 and 4-34 of *Regulatory Guide 3.66* as well as item 3.2.2.3 of *Regulatory Guide 3.66* and the requirements of 10 CFR 30.35. Your Line of Credit needs to be revised as follows:

- a. Item 3.2.2.3 of *Regulatory Guide 3.66* states that to satisfy the financial responsibility requirements, the licensee "should obtain from the lender, a written commitment to provide funds without reservation as necessary for decommissioning." Otherwise, the line of credit may be drawn upon for other purposes or may be contingent on the licensee's credit-worthiness. This is especially important in this case since the line of credit is not dedicated solely for decommissioning purposes, since only one-third of the line of credit is being "held to secure the standby trust agreement". Revise the line of credit documentation to clarify that the financial institution will provide the line of credit without reservation for decommissioning.
- b. The Line of Credit documentation does not specify how and when the line of credit may be drawn upon. Particularly, the documentation does not specify that the NRC may draw on the line of credit upon commencement of decommissioning. In addition, the documentation must give explicit instructions on how the NRC may draw upon the line of credit. Please revise the documentation to include the specifications for withdrawal. Without these provisions, the line of credit does not provide satisfactory financial assurance that funds will be available for decommissioning when needed. The

recommended wording found on pages 4-33 and 4-34 of *Regulatory Guide 3.66* is appropriate for this purpose.

- c. 10 CFR 30.35(e)(2)(i) requires that a surety method of assurance, such as a line of credit, be open-ended or must be "renewed automatically unless at least 90 days or more prior to the renewal date, the issuer notifies the Commission, the beneficiary and the licensee of its intention not to renew." Furthermore, *Regulatory Guide 3.66* recommends on page 3-13 that, "If the licensee, issuer, or provider cancels or fails to renew an instrument, the licensee must provide alternative financial assurance within 30 days of giving or receiving notice of cancellation or non-renewal."

Although your submitted line of credit documentation states that it "will be renewed on an annual basis," it does not state that the lender will provide both the NRC and the licensee 90 days advance written notice of the intent to cancel or not renew the line of credit. Notification of cancellation or non-renewal are important so the licensee and the NRC may be made aware that alternative financial assurance needs to be secured or the funds withdrawn from the existing mechanism. Revise the Line of Credit documentation to add a provision specifying that the issuer will notify the NRC and the licensee in writing at least 90 days in advance of cancellation or non-renewal of the line of credit.

- d. 10 CFR 30.35(e)(2)(i) requires that a surety method of assurance, such as a line of credit, "must ... provide that the full face amount be paid to the beneficiary automatically prior to the expiration without proof of forfeiture if the licensee fails to provide a replacement acceptable to the Commission within 30 days after receipt of notification of cancellation." This provision insures that the line of credit will be drawn upon before it expires if the licensee fails to substitute alternate financial assurance. Your submittal does not contain this provision. Please add this provision which may be worded similarly to that found in the recommended wording for a letter of credit in *Regulatory Guide 3.66*.

We will continue our review upon receipt of this information. Please reply in duplicate to my attention at the Region I office and refer to Mail Control No. 113046. If you have any questions regarding this letter please call David Everhart at (215) 337-6936.

Since your license requires financial assurance, we request that you submit your response to this letter within 30 calendar days from the date of this letter.

Sincerely,

**Original Signed By:**  
**John D. Kinneman**

John D. Kinneman, Chief  
Research & Development and  
Decommissioning Section  
Division of Radiation Safety  
and Safeguards

Enclosures:

1. Regulatory Guide 3.66
2. NUREG/CR-1754
3. NUREG/CR-1754, Addendum 1