

Docket 70-1201  
License SNM-1168

APR 29 1993

Ms. K. S. Knapp, Manager  
Safety and Licensing  
B&W Fuel Company  
Commercial Nuclear Fuel Plant  
P.O. Box 11646  
Lynchburg, Virginia 24506-1646

Dear Ms. Knapp:

SUBJECT: DECOMMISSIONING FUNDING PLAN AND LETTER OF CREDIT (TAC NO. L21661)

We have completed our review of the Decommissioning Funding Plan and letter of credit provided by your letters dated July 13, 1990, March 27, 1992, and April 2, 1992. We have concluded that additional information is needed before final action can be taken (see enclosure). We reviewed your plan against Regulatory Guide 3.66, "Standard Format and Content of Financial Assurance Mechanisms Required for Decommissioning Under 10 CFR Parts 30, 40, 70, and 72," and NUREG/CR-1754, "Technology, Safety and Costs of Decommissioning Reference Non-Fuel-Cycle Nuclear Facilities." Copies of Regulatory Guide 3.66 and NUREG/CR-1754 are enclosed for your use.

Please submit the requested information (six copies) within 120 days of the date of this letter. If you have any questions, please contact me at (301) 504-3416.

Sincerely,

Original Signed By:  
Michael A. Lamastra  
Licensing Section 2  
Licensing Branch  
Division of Fuel Cycle Safety  
and Safeguards, NMSS

Enclosures:

1. Comments on Decommissioning  
Funding Plan and Ltr of Credit
2. Regulatory Guide 3.66
3. NUREG/CR-1754

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Request for Additional Information  
Application Dated July 13, 1990  
B&W Fuel Company  
Docket 70-1201

Please provide the following information:

1. Although the Decommissioning Funding Plan (DFP) outlines the work required to decommission the facility, it does not include all the information needed to evaluate the cost estimate. Please provide a more detailed description of the facility, including the number and dimensions of facility components (e.g., floors, ceilings, walls, fume hoods, sinks, drains, hot cells, benches); the extent of contamination at the facility; and the specific radionuclides handled. Based on the information provided in the DFP, you may have underestimated the following cost elements:
  - (a) Your estimate of \$4.00 per square foot to decontaminate the ceilings and walls may be below NUREG/CR-1754 estimates that the activity will cost \$10.29 per square foot (\$100.00 per square meter).
  - (b) Your cost estimate does not appear to include disposal costs for waste generated during decontamination of facility components. Decontamination of walls, benches, and equipment will generate contaminated wastes, including wastewater, brushes, sponges, paper towels, and personal protective equipment. For example, NUREG/CR-1754 estimates that decontamination of a ceiling will generate 0.2 cubic feet of waste per square foot of ceiling ( $0.05 \text{ m}^3/\text{m}^2$ ) which must then be disposed.
  - (c) The DFP states it may be necessary to raze the facility but did not estimate the cost of the associated activities (e.g., disposal and decontamination costs).

It is recommended that you use or adapt the "cost estimating tables" in Appendix F of Regulatory Guide (RG) 3.66 to demonstrate that you have provided reasonable cost estimates for all major decommissioning activities and facility components. You should also state explicitly whether site stabilization and/or long-term surveillance will be necessary and, if so, estimate the cost of these activities.

2. RG 3.66, page 1-9, recommends that decommissioning estimates include the cost of planning and preparing the facility for decommissioning. NUREG/CR-1754 estimates that it would require more than 60 person-days for planning and preparing each of the six referenced laboratories. Although the DFP describes a pre-survey on page 2, it does not clearly include the cost of this pre-survey in the cost estimate nor does it address other activities related to planning and preparation (e.g., preparation of documentation for regulatory agencies, development of detailed work plans). It is recommended that you revise the estimate to account for the cost of planning and preparing for decommissioning.
3. It appears that your cost estimate credit for salvage value may be realized with the sale of potential assets after decommissioning. Page 3 of the cost estimate states:

"Contaminated equipment may be sold for use at another licensed facility. In such instances, all exterior surfaces will be cleaned to levels permissible for restricted area use. The equipment will then be packaged and transported in accordance with DOT and NRC regulations. The cost estimate does not account for equipment of this type."

RG 3.66 states that cost estimates should not incorporate credit for salvage value because you may not be able to sell the equipment. Accordingly, you should increase the cost estimate to eliminate all credit for salvage value.

4. It does not appear that the cost estimate has made any allowance for contingencies. RG 3.66 recommends that a contingency factor be included in the decommissioning cost estimate. Incorporating a contingency factor in cost estimates helps ensure coverage for unexpected circumstances that could raise decommissioning costs. NUREG/CR-1754 uses a contingency factor at 25 percent. Accordingly, it is recommended that you incorporate a contingency factor of 25 percent into your decommissioning cost estimate. You may use a lower contingency factor, if you can demonstrate a lower factor is appropriate.
5. Paragraph 3 of the letter of credit is worded as recommended in RG 3.66, page 4-33, except that it does not include a requirement to notify NRC and the B&W Fuel Company by "certified mail." The letter of credit must be revised to include the phrase "by certified mail."

6. Section 5, paragraph 2, of the standby trust agreement should be modified so that you cannot withdraw more than 10 percent of the outstanding balance of the trust, without NRC approval.
7. Section 6 of the standby trust agreement should be modified to require the trustee to invest the fund in the interest of the NRC (RG 3.66, page 4-20).
8. The standby trust agreement does not reference or include Schedules A, B, and C. Section 2 of the standby trust agreement does not reference Schedule A, and the agreement does not include a Schedule A nor does it identify the licensed facility beyond the license number. The purpose of Schedule A is to assist the trustee in determining if funds should be distributed for a specific facility and, therefore, should list the most recent decommissioning cost estimate or certification amount, the facility address, the NRC license number(s), and the licensee's name and address. Section 4 of the agreement does not reference Schedule B, and the agreement does not include a Schedule B listing the property or money initially constituting the fund. Schedule B is necessary to evaluate whether the trust fund contains enough funds to cover the cost of decommissioning. The agreement also does not reference Schedule C in Section 11 and does not include a Schedule C. Schedule C should state the trustee's compensation for serving as trustee and is also called for by the RG 3.66. It is recommended that you submit these schedules, as recommended in RG 3.66. The schedules should include wording similar to the samples on page 4-26 of RG 3.66. Alternatively, you could revise the standby trust agreement to include the information from these schedules.
9. The submission does not include a specimen certificate of events or a specimen certificate of resolution with the standby trust agreement. Section 5 of the standby trust agreement refers to a specimen certificate of events, which in turn, refers to an attached certificate of resolution. Without the specimen certificates, we cannot be sure that the trustee will release decommissioning funds only upon receiving appropriate instructions. In addition, the trustee may not be able to determine the validity of future resolutions authorizing commencement of decommissioning activities and payments from the trust. Accordingly, please provide the specimen certificates (which should contain blank spaces for dates and signatures until decommissioning activities have commenced) worded similarly to the specimen certificates on pages 4-24 and 4-25 of RG 3.66.

10. The second paragraph of the standby trust agreement does not include the complete phrase "the Atomic Energy Act of 1954 and the Energy Reorganization Act of 1974." While this is a minor omission, we request that the omitted phrase be included in your revised standby trust agreement.